Austria ... Sch22	Indonesia .. Rp3100	Portugal Esc120
Bahrain .. Dn0 650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta145
Cyprus ...... C£0.90	Jordan Fils.500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. SL125.00	Switz SFr2.30
Finland ... Fmk7.00	Lux LFr48	Taiwan .... NT$65
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia ... Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

FINANCIAL TIMES

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S Africa: Beyond the Freedom Charter, Page 24

World News

Poll results falsified says Soviet official

A senior official of the Moscow's Supreme Soviet said that in the past, election results bad been falsifed. He promised far-reaching reforms in the electoral system. Page 5

US meets Contras

The US said it was consulting *Contra leaders and US legislators* to decide if the breakdown in Nicaraguan peace talks signalled a need for *new military aid*.

Iraqi claim

Iraq said its third army recaptured all positions lost to Iranian forces in heavy fighting east of its southern city of Basra. Iran said its forces killed or wounded more than 4,000 Iraqi soldiers in their offensive. Page 6

Sharpeville plea

The US appealed for a "humanitarian resolntion" on behalf of the Sbarpeville Six, a gronp of black South Africans facing execution in July after Pretoria's Supreme Court rejected pleas to reopen their trial. Page 6

Dukakis concedes

The Democratic presidential candidate, Governor Dukakis agreed with campaign rival Rev Jesse Jackson, to call South Africa a "terrorist state" in the party's draft campaign platform. Page 7

Israel deports activist

Israel ignored US protests and deported Mr Mubarak Awad, a Palestinian-American advocate of non-violent resistance, back to the US. Page 6

Cypriots protest

Thousands of Greek Cypriots held a one-hour stoppage in Cyprus during a day-long protest against normalisation of relations with Ankara while Turkish soldiers remained in north Cyprus. Page 4

EC election dates set

European Community foreign ministers agreed to fix the dates for elections to the European Parliament for June 15 to June 18 next year.

Peru guerrilla caught

Peruvian police said they had captured the a leader of the country's Maoist Sendero Luminoso (Shining Path) guerrillas, in Lima. Page 7

Purge victims cleared

Bolshaviks Lev Kamenev and Grigori Zinoviev, among Stalin's leading opponents, were cleared of crimes for which they were executed in the 1930s. Page 2

Karachi test ban offer

Pakistan proposed a nuclear test ban treaty with India and a joint declaration renouncing nuclear weapons but said it did not have such arms.

Radioactive dumping

Nigeria said that part of Italian industrial waste dumped in the country was radioactive and threatened those responsible for its importation with execution.

Communist resigns

Alessandro Natta, 70, leader of Italy's Commnnist Party, resigned following a disastrous setback for the West's largest Marxist party in local elections last month.

El Al loses business

Israel's airline El Al said it expected to lose a third of its custom this year, amounting to $11m in revenue, becanse tourists were afraid of the Palestinian uprising.

French turn on the taps

Taps were turned on for the first time in five days for 200,000 people in western France, left without water after dangerous chemical pollution of the River Loire. But officials warned that the running water was for washing only.

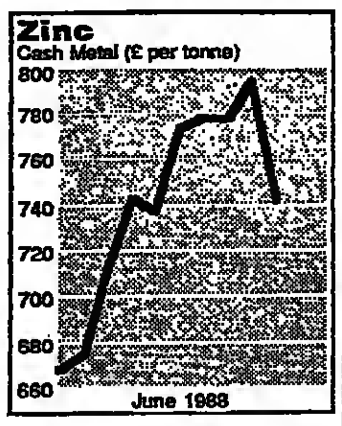
Business Summary

UK handling of Clowes affair to be examined

UK Dapartment of Trade and Industry is taking the unprecedented step of appointing an independent investigator to report on its own handling of the Barlow Clowes affair as part of a wide-ranging Government response to the collapse of the Barlow Clowes companies. Page 24; Details, Page 12

REED INTERNATIONAL, UK-based publishing company, agreed to sell its North American paper interests to Daishowa Paper Manufacturing, second-largest Japanese paper group, for C$631m ($517.2m). Page 25

ZINC: Cash zinc wiped out all last week's gains, falling £52.50 to £741 a tonne at the close. The premium for cash zinc narrowed to £42.50 compared with £62 a tonne on Friday. The unsettled trading followed the morning's announcment of a general rise in base metal stocks at LME warehouses. Page 36



LONDON: Apathy marked the start of the week's trading, as investors waited somewhat nervously for today's US trade figures. The FT-SE 100 Index, 16 points worse at one stage, rallied to close down 11 at 1,838.8. Page 44

WALL STREET: The Dow Jones industrial average closed down 2.31 at 2,099.40. Page 48

TOKYO: Trading volume declined in advance of today's release of the US April trade figures; but gains in high-tech issues led prices higher. The Nikkei average rose 116.18 from Friday to regain the 28,000 level, closing at 28,036.54. Page 48

DOLLAR closed in New York at DM1.7225, Y125.12, SFr1.4405 and FFr5.8165. It closed in London at DM1.7250 (DM1.7195); Y125.15 (Y124.90); SFr1.4425 (SFr1.4370); and FFr5.8250 (FFr5.8075). Page 37

STERLING closed in New York at $1.8170. It closed in London at $1.8165 ($1.8170); DM3.1325 (DM3.1250); Y227.25 (Y227.0); SFr2.6200 (SFr2.6100); and FFr10.5825 (FFr10.5525). Page 37

AMERICAN BRANDS, US tobacco, spirits and financial conglomerate, sold at an apparent profit most of the businesses which it unwillingly acquired in its $2.6bn "Pac-Man" defence against a takeover bid from E-II Holdings, US conglomerate. Page 25

CARL ICAHN, powerful New York investor battling to convince Wall Street he can finance a $14.22bn takeover of US oil conglomerate, Texaco, says Citibank has told him the deal is "eminently do-able" if he can find a partner. Page 25

US SUPREME Court rejected a challenge by Alberta Gas Chemicals, Canadian methanol producer, to the US$7.8bn acquisition in 1981 of Conoco by Du Pont, largest US chemical producer. Page 25

GENERAL MOTORS Acceptance Corporation, financing arm of General Motors, has appointed US unit of Japan's Nomura Securities as a sales agent for a $5bn medium-term note programme. Page 30

NOVA, western Canndian energy group, again broke off takeover talks with Polysar Energy and Chemical, Eastern Canada's largest primary petrochemical producer. Page 25

THOMSON CSF, French state-controlled defence and professional electronics group, plans to cut 1,025 jobs this year. Page 26

Strike paralyses Armenian capital as turmoil spreads

BY QUENTIN PEEL IN MOSCOW

A GENERAL strike paralysed Yerevan, the Armenian capital, yesterday amid spreading nationalist turmoil in the southern Soviet republics of Armenia and Azerbaijan. A Soviet spokesman meanwhile admitted that the authorities were no longer in control of the situation in the mountain enclave of Karabakh.

The situation is seen as becoming a threat to the efforts of Mr Mikhail Gorbachev, the Soviet leader, to unite the Communist party behind his plans for more radical political and economic reforms at this month's extraordinary party conference. For the reform process to succeed, Mr Gorbachev urgently needs stability on all other fronts.

In Yerevan, tha nawly-appointed Armenian Communist party leader, Mr Suren Arutunyan, faced a demonstration by an estimated 100,000 and promised a "positive solntion" to the demand for the unification of Nagorno-Karabakh with Armenia – the qnestion at the beart of the unrest – the local news agency told Reuters.

He was reported as saying that the republic's Snpreme Soviet, dna to meet tomorrow, would vote in favour of nnification.

In Nagorno-Karabakh itself, where 75 per cent of the population is ethnic Armenian, but in effect ruled by the republic of Azerbaijan, the Soviet authorities appear temporarily to have abandoned efforts to counter a three-week-old strike and daily mass demonstrations.

Mr Gennady Gerasimov, the government spokesman, admitted that "the Soviet and party bodies had lost control" in the area. Asked how they intended to restore it, he said: "I don't know and I cannot tell you."

He said food supplies to the enclave from Baku, the Azerbaijan capital, had been stepped up but that it could not be distributed because of the strike.

The only report of the disturbances so far in the Soviet media in Moscow has been a dramatic story in Pravda, the Communist party newspaper, last week, describing bow vigilantes were patrolling the streets of Stepanakert, the capital of Nagorno-Karabakh, for fear of Azeri attackers. There has been no mention of the unrest on Soviet television.

The problem for Mr Gorbachev, is that with local passions boiling over, his party organisations in both republics appear to be siding witb nationalist sentiment. Mr Arutunyan, who replaced the former party boss at Moscow's instigation last month, has little choice but to bow to popular feeling.

In Azerbaijan, bowever, the local party and government authorities' feelings are evident in the demonstrations being organised to insist that Nagorno-Karabakh remain part of their republic.

Government spokesmen blame the upsurge in unrest in the Trans-Caucasian republics, in which 33 people have so far died, on years of economic and political stagnation, wbich failed to identify tbe tension and to answer it with economic development.

BIS chief optimistic on US current account deficit level

BY STEPHEN FIDLER IN BASLE

THE US current account deficit would probably be financed by voluntary means – private, and corporate investment and bank flows into the US – this year, Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements (BIS), said yesterday.

This would mean there would be no need for the buge central bank support for the dollar necessary in 1987.

His remarks followed the annual meeting in Basle of the BIS, the main international central bank forum. They reflect the guarded optimism evident in the Bank's assessment of the current world economic and financial conditions.

Earlier in Basle, Federal Reserve deputy chairman, Mr Mannel Johnson, said he saw scope for a rise in the US dollar becanse of the improving US trade performance.

His remarks, which exanded on an earlier speech, helped support the dollar in foreign exchange markets yesterday. Although trading was described as thin ahead of today's publication of US trade figures for April, the dollar rose by 0.55 pfennigs to close in London at DM1.7250.

Sterling, which has strengthened steadily since the last rise in base rates early this month, also registered further gains, closing in London 0.75 pfennigs higher at DM3.1325.

Mr Lamfalussy said his belief that the US deficit would be financed voluntarily was based partly on the small proportion that claims on the United States represented of all financial assets outside the US.

Thia percantage – an estimated 3.5 per cent at the end of 1986 and perhaps 4 to 4.5 per cent today – was small and therefore there was scope for it to be increased.

Reagan chides trading partners

President Reagan yesterday chided America's European trading partners for failing to move as vigorously as the US in cutting taxes, regulations and government nwnership. He said the pace of US change had played a key role in the growth of employment in the US. Page 24

However, voluntary financing would only occur provided the perception remained of dollar stability and if there were a further gradual erosion of the US current account deficit, which he said was now moving in the "right direction."

The 1987 US current account deficit of $160.7bn was 60 per cent financed by central banks last year, the BIS estimated in its annual report published yesterday. About half of this was represented by direct intervention in the currency market.

Central bankers have been anxious to keep their talks in Basle this year at an even lower key than usual, in view of the economic summit later this month in Toronto and because they are reasonably happy with current exchange rate stability.

However, one issue which has been rumbling under the surface here has been the large US dollar sales by the West German central bank since May. The Bundesbank reported some $1.3bn of dollar sales during the first week oi June following some $2bn of sales the previous week.

Asked about this issue yesterday, the current President of the BIS, Mr Willem Duisenberg, head of the Dutch central bank, said the sales had been handled responsibly. It had not affected foreign exchange market confidence and showed that "relative calm had returned to the exchange markets."

The Bundesbank itself characterises the sales, which were common before last year's Louvre accord on currency stabilisation, as of a commercial nature.

The Bundesbank's dollar receipts continue to flow in even when it is not buying dollars in the currency markets, because of income on existing dollar investments and currency spent by US forces stationed in Germany.

Yet it is certain not all central banks see this the same way. Many of them are sitting on large US dollar reserves, out of which they would like to diversify. If all central banks were to follow the German example, it would present a significant challenge to the Louvre accord.

If the Federal Reserve officials in Basle yesterday have misgivings about the scale of the Bundesbank sales, however, they were not announcing them yesterday.

According to European monetary officials, the disquiet among some central banks over the dollar sales comes against the background of unrelated friction in recent weeks between the Bundesbank and several of its European partners, **Philip Stephens** adds from London.

That friction has centred the Bnndesbank's opposition to broadening its intervention responsibilities within the European Monetary System and its reluctance to allow other central banks to accumulate D-Marks.

Report details, Page 4; Currencies, Page 37; World stock markets, Page 48

US court blocks bid to curb expansion of banks

By Janet Bush in New York

US BANKS mnved closer to expanding their services yesterday following a decision by the US Supreme Court.

The court decided nnt to hear the case brought by the Securities Industry Association seeking tn overturn a lower court jndgment which endorsed the right of banks to underwrite commercial paper, mortgage-backed securities and municipal revenne bonds.

Seven leading US banks, given US Federal Reserve Board approval last year to underwrite these securities but prevented from doing so by a Congressional moratorium and a court injunction, applauded the decision and said they were ready to go ahead.

The seven banks are Bankers Trust, Chemical Bank, Citicorp, Chase Manhattan, Manufacturers Hannver, J. P. Morgan and Security Pacific.

Bankers Trust said: "The Supreme Court's decision represents another step towards bringing greater competition to the US securities markets." It said it was looking forward to the next step – legal authority to compete fully in securities underwriting.

Senator William Proxmire, chairman of the Senate Banking Committee, has sponsored legislation which would give banks even wider powers, including the ability to underwrite mutual funds and corporate debt and equity issues. The proposal has been passed in the Senate but has made little progress in the House of Representatives.

There is a strong lobby

Continued on Page 24

France waits for Mitterrand to end poll dilemma

BY IAN DAVIDSON IN PARIS

PRESIDENT François Mitterrand will broadcast to the Frencb nation this evening to chart the way forward after Sunday's general election, in which his Socialist Party made substantial gains but without winning an absolute majority in the National Assembly.

Yesterday, in the wake of what was widely described as a setback both for President Mitterrand and for his Prime Minister, Mr Michel Rocard, overt political activity marked time as the major politicians waited for the President to take a lead in a situation without precedent in the 30-year history of the Fifth Republic.

The chief question exercising political leaders in Paris is how President Mitterrand intends to build the parliamentary majority which he called for last week but which the electorate has denied him. In theory the Socialists could form a parliamentary majority with the Communist Party, but such an arrangement is unlikely to appeal to the social-democrat views of Mr Rocard, and in any case the Communist Party has set out conditions for co-operation which are likely to repel any plausible socialist Prime Minister.

If Mr Rocard remains Prime Minister, he would be more likely to seek support from the parliamentary centre, with all eyes now focused on the CDS centrist party. Yesterday Mr Pierre Mehaignerie, leader of the CDS, announced that his party would today consider whether to apply to be recognised as a separate parliamentary group in the National Assembly. The formation of such an independent parliamentary group could be a first step towards the creation of a relationship with the Socialists.

In any event, the Socialist Party must remain the starting point for any government, since it outnumbers tbe combined forces of the traditional right-wing parties. Most strikingly, the neo-Gaullist RPR lost disproportionately heavily in Sunday's vote, and is now outnumbered by the centre-rigbt UDF grouping (which includes the CDS).

Yesterday evening it was reported that Mr Jacques Toubon, secretary general of the RPR, had offered his resignation to Mr Jacques Chirac, its leader, and that Mr Alain Juppe, former Budget Minister and government spokesman, was in line to succeed him.

Some commentators were predicting on Sunday evening that Mr Rocard, who is to call on the President this morning, will offer his formal resignation and that of his government today or at tomorrow's cabinet meeting. Before Sunday's vote, President Mitterrand had indicated that the government would cbange but that Mr Rocard would remain Prime Minister.

● The new French Assembly (excluding final results still due from two French Polynesian constituencies): Socialists and allies 276 seats; UDF 130; RPR 128; Communists 27; Others 13; National Front 1.

Reuter adds from Marseille: Arab and Jew in this ancient Mediterranean port breathed a collective sigh of relief at the defeat of the far-right National Front, whose leader Jean-Marie Le Pen lost his seat.

Losers' election, Page 3; editorial comment, Page 22

EC agrees timetable for removal of capital controls

BY DAVID BUCHAN IN LUXEMBOURG

EUROPEAN Commnnity finance ministers last night agreed to remove all capital controls in eight of the 12 member nations by mid-1990, and in the other four countries by 1992.

The agreement, reached after a compromise by France, represents a major step forward in the Community's effort to create a common European financial zone, complementing a single market in goods and services. France backed down from its earlier insistence on new measures to reduce tax evasion as a prior condition to capital liberalisation. Mr Nigel Lawson, the UK Chancellor of the Exchequer, described this precondition as "wholly unacceptable."

France did, however, get its EC partners to endorse an instruction to the Commission to make proposals by the end of this year on reducing "fiscal distortions" stemming from the differences in national tax regimes. The Council of Ministers is to decide what to do with these Commission proposals by mid-1989.

Mr Lawson, who was yesterday France's chief antagonist in what he termed "tough discussions," said he was satisfied with the new Commission study. He had aecured an "explicit reassurance" that any tax proposals, resulting from the study, would require unanimity to pass in the Council.

The capital liberalisation move, which will allow EC citizens to open bank accounts – and EC banks to lend – anywhere in the Community, could increase specultative money flows.

An earlier draft of a joint Council-Commission declaration accompanying the capital liberalisation measure called for "equal participation by 1992 of all currencies" in the European Monetary System. Mr Lawson got this struck out, defending the UK's right to bring sterling into the EMS when it saw fit.

The eight richer member states will have to lift remaining capital controls in two years. Some, such as the UK, the Netherlands and West Germany, have, in fact, already done so. Spain, Ireland, Greece and Portugal have two years longer to remove controls, although Greece and Portugal might get n further extension until 1994-95.

The directive will allow n member state to act by itself to reimpose capital controls in a currency crisis, although it mnst seek Commission approval thereafter, even to maintain the controls for a limited period of six months.

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Turkish Premier Turgut Ozal, who told Baghdad that it must pay off debts, Page 8

SQUEEZE ON CREDITS TO IRAQ REBOUNDS ON TURKISH EXPORTERS

EUROPEAN NEWS

WEST GERMANS MUST WORK HARDER TO PRESERVE COMPETITIVENESS, SAYS CHANCELLOR

Kohl warns of tougher times ahead

BY DAVID MARSH IN WIESBADEN

MR HELMUT KOHL, the West German Chancellor, yesterday called on his countrymen to work longer hours and accept a less generous health and social security system to preserve the Federal Repnblic's international competitiveness in the 1990s.

In a sombre speech to the annual conference of the governing Christian Democratic Union party in Wiesbaden, Mr Kohl gave one of his stronger performances in urging a "re-thinking" of increasingly inflexible labour and social policies which have driven up corporate costs and lowered investment in recent years.

Mr Kohl, chairman of the CDU for 15 years, was on the defensive after months of quarrelling in the Bonn coalition and a string of Christian Democrat setbacks in regional elections. He was able to focus, however, on improved West German growth prospects this year in the months following the October stock market crash. The profit of catastrophe had been proved wrong, he said.

Embarrassed in recent days by an anonymous internal party document criticising his leadership, Mr Kohl called on the Christian Democrats to show courage and perseverance in the face of difficulty. He admitted be had made mistakes in his 15 years as party leader, but added: "I have tried to do my best." At the end of his speech he was given only relatively subdued applause by delegates.


Chancellor Helmut Kohl: on the defensive

The Chancellor also gave further cantious snpport to the reform policies of Mr Mikhail Gorbachev. He backed the Soviet leader's vision of a "European house" linking countries from East and West. It would, however, need to have "many doors and windows", he said – meaning that Communists would have to accept freedom of movement and ideas.

Adequate Western defence was a prerequisite for further detente, said Mr Kohl. This was spelt out in much stronger terms in a separate speech by Mr Franz Josef Strauss, leader of the Christian Social Union, the CDU's Bavarian sister party. He said Mr Gorbachev's "pnblic relations" could lower political support for West German defence.

Mr Kohl said West Germany could now embark on an "*Ostpolitik* offensive", building bridges with the East as a result of its firm anchor in the West.

Over the need for restructuring in social policies, where the Government is preparing some unpopular decisions, especially on pensions, for the 1990s, Mr Kohl remarked that West Germans enjoyed the highest wages, shortest working time and longest holidays of most countries. Prosperity would be preserved only if structures were adapted and deregulation pushed forward in areas like telecommunications. He added that the Federal Republic could not afford to "live beyond its means" during the 1990s.

He also focused on the future challenges stemming from the planned creation after 1992 of a full internal market in the European Community and from the shrinking West German population.

West Germans should be more worried about the falling birth rate than about environmental problems which often dominated the beadlines, be said. Demographic trends could endanger social peace unless the social security system was trimmed, he said, adding that many people might have to work longer hours during the 1990s.

He stressed that the Federal Republic had become one of the big three Western economies with only half the inhabitants of Jspan and one quarter of those in the US. "If we want to keep this, we will have to be ready to get up earlier in the morning than the others," he said.

Stoltenberg's budget problems eased

BY DAVID MARSH

BRIGHTER West German economic prospects are giving Mr Gerhard Stoltenberg, the Finance Minister, slightly more leeway than expected in his budgetary plans for 1989, being finalised this month. The plans involve an unpopular decision to increase consumer taxes and unemployment benefit contribntions by more than DM10bn (£3.2bn).

Mr Stoltenberg is trying to keep the growth in overall budget spending next year to 2.5 per cent, similar to this year. This is likely to lead to more restraint in the defence budget, which in 1989 is again likely to be trimmed below goals put forward by the military establishment, finance ministry officials say.

The Government now expects real economic growth this year of at least 2 per cent. Officials are much more confident than at the beginning of the year, when the Government's official projection of growth of 1.5-2 per cent was regarded by outside forecasters as excessively optimistic.

Some Economics Ministry officials believe that 2.5 per cent growth could be achieved in 1988, following the improved performance of the first few months. More buoyant tax revenues, especially VAT, have brought down the Government's forecast for the 1988 federal budget deficit to slightly below DM40bn.

Earlier this year, Mr Stoltenberg believed the deficit could top DM40bn. As a result of higher EC payments and a sharp drop in the Bundesbank's 1987 profits, the federal deficit none the less will still be substantially above the DM29.5bn projection for the 1988 budget. This will require the Government to bring in a supplementary 1988 budget later this year.

Mr Stoltenberg plans to cut the 1989 federal bndget deficit to around DM30bn through a mixture of the tax increases and sharper spending controls, inclnding yet-to-be-decided plans to cut some subsidies. The Government is assuming a continued 2 per cent economic growth rate in 1989, with inflation, measured by the gross domestic prodnct deflator, running at 1.7 per cent.

Budget details for 1989, which have already been discussed in a series of coalition meetings, are due to be formalised by the cabinet on June 29. The coalition last Friday agreed a package of additional levies next year in the form of higher taxes on petrol, cigarettes and insurance policies on property and assets. These will bring in an extra DM6bn-DM7bn.

Additionally, unemployment insurance contributions will be raised from 4.3 per cent of wage packets to a maximum 4.8 per cent, raising about another DM4bn. Tha latter increase, borne by both employees and employers, is necessary to finance a threatened deficit in the Federal Labour Office, which supervises unemployment payments and job restructuring programmes.

The unemployment benefit increases drew strong criticism over the weekend from employers' organisations and trada unions, as well as from the Free Democratic Parties, the junior partner in the Bonn coalition.

Mr Norbert Blüm, the Labour Minister, angrily defended the increase in contributions yesterday against employers' charges that they would add further to costs and hamper job creation. "If anyone knows how else I could get the money, they should tell me," he said.

The DM10bn-plus package of extra levies clearly damaged the Government's image as a tax-cutting administration. The package comes into effect a year before a net DM20bn-worth of income tax cuts on January 1 1990.

The coalition has also turned down plans put forward by Mr Ernst Albrecht, the Prime Minister of Lower Saxony, for the Government to take over a sizeable portion of social security spending at present borne by the *Länder* (federal states).

This plan, which would have presented the Government with a net bill of DM5bn, has been rejected in favour of an alternative package under which Mr Stoltenberg will provide an extra DM2bn in regional help for the less well-off states.

Zinoviev, Kamenev cleared of 'crimes'

THE BOLSHEVIK revolutionaries Lev Kamenev and Grigori Zinoviev, who were among leading opponents of Josef Stalin, have been cleared of alleged crimes for which they were execnted in the 1930s, Izvestia, the Soviet Government newspaper, said yesterday, Reuter reports from Moscow.

The sentences of Kamenev, Zinoviev, and two others convicted in the show trials of 1936 and 1937 – Yuri Pyatakov and Karl Radek – were annulled by the Soviet Supreme Court yesterday, Izvestia added.

"It [the court] said clearly that before the law, the state and the people, they are not guilty. The state they were creating 50 years ago is giving them back their honour and name."

The Supreme Court had not considered whether they should be formally rehabilitated as Communist Party members. "It did not assess whether they were right or not in their old disputes."

Other "comrades" sentenced in the show trials had also been cleared, but *Izvestia* did not give their names.

Zinoviev and Kamenev were shot after being sentenced to death as "enemies of the people" in August 1936, at the first of a series of show trials which Stalin used to eliminate his real and perceived opponents within the Communist Party.

Pyatakov was sentenced to death at the second of the trials early in 1937, and Radek received 10 years' imprisonment. He died in a labour camp a few years later.

Nikolai Bukharin, considered Stalin's main opponent in the late 1920s and early 1930s, was shot after be was convicted in the final trial in March 1938.

He was formally rehabilitated earlier this year after a commission was set up to examine the cases of victims of the Stalin era.

The mova to clear their names reflects a radical change in official thinking on modern Russian history under Mr Mikhail Gorbachev, the Soviet leader.

A Mediterranean solution to the teachers' problems

Our Foreign Staff explores the reasons for a spate of school strikes in southern Europe

FOR THE pupils of Spain, Italy and Greece, this has been a slack but unsettling summer term. All three countries have been wracked by long-running disputes involving over 1.3m secondary school staff.

Apart from money, the teachers want higher status for their profession and an upgrading of school systems that are ill-adapted to the increasingly prosperous societies they are supposed to serve.

In Italy, unions representing most teachers agreed last week to pay rises which average out at 30 per cent, and in some cases amount to 50 per cent, over two years. But some strikers remain dissatisfied and the Government has had to waive the rules on the number of teachers needed for exam supervision and assessments.

Spanish schools remain strike-bound after more than three months, with the result that a general pass certificate may have to be swarded in place of exams. In Greece, this week's university entrance test has been cancelled because of an indefinite strike declared on May 22.

Italian and Greek teachers are miserably paid. Under the old pay scales, the gross monthly salary of a young Italian schoolmaster was barely £450, while Athenian pedagogues are rather worse paid than taxi drivers: about £220 a month to start, rising to £360 for an experienced department head.

Spanish teachers won hefty rises in the late 1970s, enabling the Government to claim that, with a average salary of £680 a montb for an experienced teacher, they are among the best paid in Europe.

But the Government complains that it is dealing with a revolntion of rising expectations: teachers there have not forgotten that in their disputes of 10 years ago they extracted vague, and so far unfulfilled, promises of comparability with civil servants.

Inevitably, in southern Europe, the teachers' disputes hava been beavily tinged with party politics: bnt there have also been signs of a rank-and-file reaction against traditional party-based unionists.

The Italian dispute, which has rumbled on for most of the year (mainly as a work-to-rule rather than an outright stoppage) has brought to light a whole series of non-party unions: the moderate Gilda, the broadly-based Snals and the militant Cobas have joined the older groups, aligned with Socialists, Communists or Christian Democrats.

In Spain, four out of five unions (all but the Communists) assented to a pay rise of £100 per month: but union members, by a 70-30 ratio, rejected the offer and reaffirmed the original demand for a £150 hike.

A source of bitterness in the Spanish and Greek disputes is that both countries are governed by Socialist parties that won widespread support from teachers in the days when they were in opposition, noisily demanding an upgraded education system.

Mr Jose Maria Maravell, the Spanish Education Minister, backed the teachers to the hilt when they were fighting a centrist government 10 years ago. These days, unimpressed by his past as a student protestor, some taunt him with being a "crypto-fascist."

His counterpart in Athens, Mr Antonis Tritsis, had an equally radical past, but he was an early casualty of the dispute, complaining as he resigned that he was victimised by communist and conservative unions alike.

The pay disputes are ultimately soluble. But the strikes have also focused attention on deeper problems, which reflect the confusing, uneven pace at which all three countries have hurtled towards modernisation.

Spain and Greece have vivid memories of a form of education that reflected an anthoritarian regime. Many a Spanish teacher began his career in Franco's time when "*formacion del spirito nacional*" featured in the curriculum. Greek schools, before the junta fell in 1974, served an unremitting diet of ancient Greek and Orthodox theology.

Since then, it sometimes appears, southern Europe's schools have been liberalised in all the wrong ways.

In Italy, it is a commonplace that school discipline has become slack. But the system, as in other southern European countries, seems to have preserved some of the worst features of the bad old days: bureaucratic, centralised control, with little emphasis on encouraging creativity and insufficient attention to science.

"I don't think there is a single personal computer in any Italian school and I doubt if a single teacher knows how to use one," says union leader Mr Giancarlo Fantanelli.

Significantly, one concession extracted by the Italian strikers was greater freedom for head teachers in setting curricula and allocating resources. The more militant unions remain unhappy: they do not want to see principals gain power at the expense of staff.

The old Greek system, for all its faults, did at least implant a thorough knowledge of the riches of the language: now the sloppiness of teenage speech, writing and possibly thought has become a scandal.

As the economies of southern Europe are drawn into the continent's mainstream, the need to upgrade the education system is becoming more acute.

But the governments involved are caught in a vice. The very process of European integration that is putting pressure on schools is also making it harder for southern European treasuries to find the money.

In recent years, Spain, Italy and Greece have all run public deficits amounting to over 10 per cent of gross domestic product, while figures of 2 to 3 per cent are considered dangerously high in northern Europe.

High deficits may be an affordable luxury for governments who can lock their citizens into buying national Treasury Bonds or depositing with state-owned banks. But in a Europe of free capital movement, that recipe will not work.

True to south European form, tha affected countries have all developed more or less ingenious ways round the structural failings of their system. Private companies in Italy offer in-house training that aims to improve parts of the mind which schools and universities manifestly do not reach.

In Spain and Greece, the schools' failure to teach foreign languages has spawned a plethora of unregulated private night schools which, if nothing else, enable some teachers to make a living. Such Mediterranean solutions will be needed for some time.

Ian Davidson reports from Paris on the likely re-arrangement of France's political landscape

French general election leaves everyone a loser

IN MOST general elections in most countries, there are winners and losers. In this respect, the election which has just taken place in France is different: there are only losers. This blow to normal expectations has come as such a shock to the traditional political party leaders thet they are likely to take a little while before they succeed in getting the show back on the road.

Until they do so, it seems quite possible that debate about the future re-arrangement of the political landscape will be dominated by four men who are not party leaders: on the left President François Mitterrand and Prime Minister Michel Rocard, and on the right former President Valéry Giscard d'Estaing and former Prime Minister Raymond Barre. And of the four, it is the two presidential figures who are commanding particular public attention.

The most obvious loser is President Mitterrand. He started by assuming, and ended by merely hoping, that the general elections would echo his handsome re-election to the presidency a month ago and give the Socialist Party a comfortable absolute majority. The voters decided otherwise, and for the first time in the history of the Fifth Republic denied a newly elected president a corresponding governing majority in the National Assembly.

Mr Mitterrand's setback does not imply a victory for anyone else, however. The Socialist Party may have failed to reach the magic figure of 289 seats required for an absolute majority, but at least it has become the largest single party in the National Assembly.

By contrast, the group of traditional conservative parties saw their representation fall sharply back, to the point where they have lost all claim to form a government. Moreover, the neo-Gaullist RPR party did significantly worse than its ally on the centre-right, the UDF, and for the first time in the history of the Fifth Republic lost the title of the largest political group on the right.

The catalogue of defeats goes on. On April 24 the National Front, had alarmed everyone in the respectable mainstream of the political spectrum, when its leader, Mr Jean-Marie Le Pen, scored over 14 per cent in the first round of the presidential election. But on Sunday, despite a voting pact with the traditional right-wing RPR-UDF parties in a number of places, notably the Marseilles area, the National Front lost all but one of its parliamentary seats, and even the fearsome Mr Le Pen was conquered.

In the newspaper headlines, the Communist Party is sometimes depicted as a winner, but if so, it is a back-handed kind of victory. In terms of votes the party halted the precipitate slide in its parliamentary score which has been under way since the late 1970s, and almost douhled tha 6.76 per cent chalked up by its candidate in the presidential election. Yet it continued to lose seats, and dropped below the point (30 seats) where it can claim procedural privileges through the constitution of an independent parliamentary group.

Moreover, even though its 27 seats do give the Communists the arithmetic balance of power in the new National Assembly, party leaders lived up to their reputation for rigidity and narrow-mindedness, by immediately laying down terms which, in effect, rule out any chance of systematic co-operation with the Socialists.

In time attitudes may evolve, of course, though with a hard-line party leadership huoyed hy an unexpected reprieve from parliamentary extinction, this does not seem at all likely. In the meantime, the isolationist posture of the Communists seems tailor-made to ensure the co-operation hetween the Socialist Party and the centre which they profess to oppose.

The story of defeats can be re-told in terms of personalities as well. President Mitterrand campaigned unremittingly for an opening to the centre, and was rewarded in the presidential election with a stunning victory over Mr Jacques Chirac, the outgoing Gaullist Prime Minister; but when he called for a clear majority in the legislative elections, so as to carry out this opening, he was rebuffed.

The same rebuff was served on Mr Michel Rocard, his Prime Minister. Not merely is Mr Rocard one of the most popular Socialists, but his appointment as Prime Minister was itself nationally popular. In the wake of Sunday's vote, however, his ability to carry out President Mitterrand's idea of an opening to the centre has become n delicate question, and even his survival as Prime Minister must now be in some doubt.

Mr Jacques Chirac, normally a man of bounding activism, has been almost as quiet as a mouse since his defeat in the presidential election on May 8, and the modesty of his demeanour was especially striking on election night on Sunday. The setback suffered by his party seems to confirm the verdict of his personal defeat, with this difference, that it was not quite so severe.

Making sense of this general pattern of popular censure is largely a matter of guesswork. Soma commentators have focused attention on an abstention rate which reached a new record in the first round (over 34 per cent), and remained high in the second (nearly 30 per cent), and have drawn the inference that the French people were thoroughly fed up with an electioneering process which had been under way formally for three months, and informally since the last general elections two years ago.

> At the very least, it seems clear that Parliament will play a bigger role on the political stage than has been traditional in the post-Gaullist era

More specifically, voters may also have responded to conservative criticisms that the sprinkling of outsiders in Mr Rocard's government did nothing to offset the general impression of a team essentially composed of the executive committee of the Socialist Party, that Mr Rocard might at least have made a presentation to parliament, and that President Mitterrand had no need to call general elections so quickly.

Some analysts believe that the lack of any manifest majority in parliament, either for the socialists or for the traditional right-wing parties, will creats conditions of political instability recalling the Fourth Republic. Such a prediction is not absurd; at the very least, it seems clear that parliament will play a bigger role on the political stage than has been traditional in the post-Gaullist era.

On the other band, there are at least three reasons why the political uncertainty created by Sunday's election will not inevitably lead to political instability.

First, President Mitterrand's large majority gives him great personal legitimacy in handling the new situation.

Second, the election campaigns have demonstrated such a large area of policy consensus between the socialists and their traditional right-wing opponents that it will be more difficult for them now to pretend to be divided by all the old ideological arguments.

Third, the lesson nf the elections may well be a confirmation of Mr Giscard d'Estaing's long-standing claim, that France wants to be governed from the centre.

Mnch comment suggests that the divided National Assembly will prevent President Mitterrand from implementing his idea of an opening to the centre. This may be an error. The opening to the centre may look operationally more difficult than it did, but it may have become feasible because it has become essential; and it may have become feasible because there are two influential figures in the centre – Mr Giscard d'Estaing and Mr Barre – who are pushing, in their contradictory ways, for something like this to happen.

Mr Rocard's first gnvernment included only a few individuals from outside the socialist circle; if he is to muster a reliable parliamentary majurity, his second needs to go further. The question is, therefore, whether he will seek to negotiate a programmatic agreement with a significant group of deputies in the centre, or whether he can count on stable majorities with a minority government.

The first question depends on Mr Raymond Barre, who is npenly friendly to President Mitterrand's aspiratinns for an opening to the centre, and who openly seeks to create a centrist political formation which would be independent of the Gaullists. Whether he will succeed in creating such a group must be an open question, since he is not the leader of a political party, and does not have that kind of negotiating power.

The second question depends on Mr Giscard d'Estaing, whose latest proposals for a more co-operative relationship between right and left in parliament overlap significantly with the ideas of Mr Michel Rocard. In an inaugural letter to the members of his government, Mr Rocard instructed them to seek the largest possible majorities for proposed legislation, and to neglect no compromises which could contribute to such majorities.

In his recent "Propositions for a real npening", Mr Giscard d'Estaing suggested that on the really hig issues, such as unemployment, education and the single European market of 1992, government and opposition should seek to prepare common projects, and that the Government should not pnt forward legislation without weighted majority support in the preparatory stage.

Whether a more co-operative method of work between Government and opposition could provide an alternative to a pre-negotiated government majority, is a question which goes to the heart of the French political dilemma. For thet reason, it is unlikely to be answered quickly.

When Mr Barre and Mr Giscard d'Estaing signal their support for the opening up of government, there is no reason to dispute their sincerity. But their arguments are at odds with the confusing dispersal of the parties on the right of the political spectrum, their personal ambitions are in conflict with the leaders of those right-wing parties, and they lack the power to impose their views.

The fact remains that some kind of opening to the centre is now more than ever the issue of the day. Mr Jacques Chirac has taken refuge in a posture of stubborn opposition. If Mr Rocard is to remain Prime Minister, he will have to deal with any serious interlocutor he can find.

Harsh reality for non-political figures

BY GEORGE GRAHAM IN PARIS

SUNDAY'S French election was s harsh baptism for the representatives of "openness", the non-political figures who had signed up with the undefined but nonetheless substantial majority which re-elected President François Mitterrand a month ago.

Their experience of electoral politics has been hrief and, almost without exception, disappointing. From Mr Bernard Topie, the entrepreneur who stood in Marseilles, to Mr Roger Bambuck, the Olympic sprinter who was named sports minister in the Government nf Mr Michel Rocard, they fell to more mainstream party politicians.

For Mr Bernard Kouchner, the founder of the Medecins dn Monde charity and new minister for "social reinsertion", the political realities were even more bitter.

Forced to withdraw from the second round of voting in the name of the "republican discipline" by which Socialists and Cnmmunists traditionally stand down in favour of each other's candidates, Mr Kouchner now seems far from happy at the prospect of being at the mercy of these same Commnnists in n hung parliament.

It was not just these non-political figures whn suffered. Centrist politicians who had agreed to cross over and join the Mitterrand majority also paid the price for their decision.

Mr Roger Jonet, a dissident member nf the centrist CDS party who ran with the Socialist Party's support nt Bayeux in Normandy, scored only 43 per cent in a constitnency which gave Mr Mitterrand 54 per cent of its vntes a month ago.

Only Mr Lionel Stoleru, who held office under the Conservative ex-president Giscard d'Estaing and who is now a minis-

Tapie: "dirty dealings"

ter in the Rocard governmeot, escaped – though with 8,000 fewer votes than Mr Mitterrand had gathered in his Compiegne constituency on May 8.

The first lesson political anslysts are drawing from these results is thet voters dislike "parachntists" – especially as in this rushed election campoign these carpetbaggers floating down from Paris had nn time to establish their local roots.

The second is that local Socialist Party militants appear in many cases not to have produced their best efforts for these new converts, and moy even have gone out of their way to obstruct them.

Mr Tapie, muttering darkly about dirty dealings after losing by 84 votes to his right wing rival, aimed his suspicions just as much at the local Socialist Party apparatus as at the right.

If the new era of non-sectarian pulitics is tn dawn in France, it looks as thongh it will first have to come to an arrangemeot with the local party political machines.

Presidential poll triumph turns to ashes for National Front

BY PAUL BETTS

MR JEAN-MARIE LE PEN, the National Front leader, was undoubtedly the election's big loser. Not only was he defeated in his Marseilles constituency hy a local Socialist, but his party lost all but one of its 33 seats.

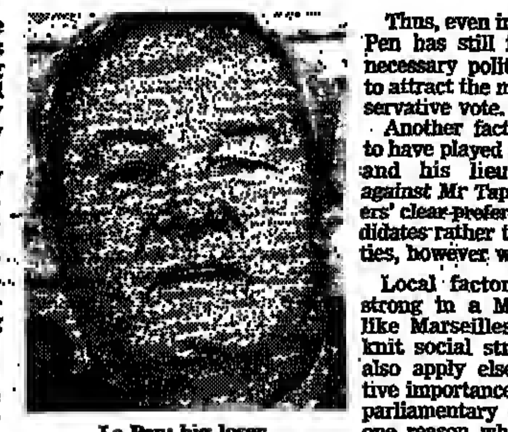
Mr Le Pen was handicapped by the majurity voting system, which he bitterly denounced on Sunday as "unfair and anti-democratic." He had tried to salvage his party's chances by concentrating all his efforts on Marseilles and the surrounding Bouches du Rhone region.

In the first round of the presidential election last April, the blond, bombastic far-right politician triumphed in Marseilles with nearly 30 per cent of the local vote, more than any other right-wing candidate. The city's immigration and economic problems had proved a fertile ground for his party.

But the triumph was short-lived. This time Marseilles did not elect even one of Mr Le Pen's candidates, despite a highly controversial local voting agreement between the National Front and the traditional right-wing UDF and RPR parties. The only Front legislator elected was Mrs Yann Piat in Toulon.

The arrival of Mr Le Pen and his principal lieutenants in Marseilles, France's second largest city, turned the contest in the south into one of the key battles of the election. The Socialists reacted with a vigorous local campaign against what they saw was the beginning of a bid by Mr Le Pen to take over the town hall of Marseilles, a Socialist bastion.

They threw into the arena Mr Bernard Tapie, the media-conscious businessman who took over the Marseilles football team after making a fortune turning around bankrupt companies.



Le Pen: big loser

Mr Tapie was defeated by a mere 86 votes in his constituency but the Socialists won seven of the 16 Bouches du Rhone seats. The Communists unexpectedly held on to three seats, while the traditinnal right-wing parties appear to have been the main beneficiaries of the local voting deal with the National Front: they gained six seats (five UDF and one RPR).

Mr Jean Claude Gandin, the UDF strongman in the Bouches du Rhone, provoked a spectacular political storm last week when he negotiated a deal with the National Front whereby the traditional right withdrew its candidates in the second round in constituencies where the Front seemed hetter placed. In exchange, the Front withdrew its candidates where the UDF or RPR had stronger chances.

The arrangement helped Mr Gaudin to an easy re-election, but many traditional right-wing voters were clearly more hesistant to vote for the National Front in constituencies where the UDF or the RPR had withdrawn.

Thus, even in Marseilles, Mr Le Pen has still failed to gain the necessary political respectability to attract the more moderate conservative vote.

Another factor which appears to have played against Mr Le Pen and his lieutenants – and against Mr Tapie – was the voters' clear preference for local candidates rather than for personalities, however well-known.

Local factors are especially strong in a Mediterranean city like Marseilles with its tighly-knit social structure, but they also apply elsewhere. The relative importance of local issues in parliamentary elections may be one reason why President François Mitterrand failed to repeat his triumph of the presidential ballot.

Sunday's election confirmed the unstable character nf the National Front vote. Mr Le Pen has acted as a magnet in recent years for the popular protest vote in France: many people who have voted for him are by no means right-wing extremists. Paradoxically, a good number are disillusioned Communists.

Others are the *pieds noirs*, French North African settlers whn returned to France after Algerian independence. And in Marseilles, many people simply voted for Mr Le Pen because they were fed up with the city's Arab immigration problems.

Although Mr Le Pen has suffered his first severe electoral defeat since the National Front burst on to the political stage five years ago, he has clearly not said his last word.

His party still scored 21 per cent of the vote in the Bouches du Rhone, or double the score of the Communists, even thungh the latter won three seats and the National Front none.

Poll result fails to dent franc

BY GEORGE GRAHAM

THE French franc has developed a quite unwonted resistance to election results. Sunday's unexpectedly close legislative poll, despite creating a hung Parliament, left financial markets relatively unmoved.

The franc dipped in the morning, trading as low as FFr3.39 to the D-Mark in the Far East, but recovered much of its lost ground during the day.

At the afternoon fixing in Paris it stood at FFr3.3789, down half a centime from Friday but still nearly 3 centimes higher than on the eve of President François Mitterrand's re-election un May 8.

Domestic money markets also failed to quake, despite the possibility raised hy tha election results that Mr Mitterrand's predominantly socialist Government would be compelled to work with the 27 Communist members of Parliament in order to obtain a majority.

Overnight rates remained below the Bank of France's intervention rate of 7 per cent and commercial banks appear to have ample liquidity to meet this week's demands without putting pressure on the market.

If the stock market dropped – the trading indicator at one point showed a loss of 2.25 per cent and the CAC general index lost 1.06 per cent to 346.7 – volume was thin. Overseas investurs appeared to be waiting for developments, despite a temptation to take profits after several weeks of strong gains.

"Foreign investors do not mind a Socialist Government: look at Spain and Sweden, which are showing the best stock market returns this year. What they do not like is a political mess, even if it is a rightish Government," a Paris stockbroker said.

Yet an underlying anxiety was felt by some bankers and industrialists that the Government, whatever its precise political complexion, might be hampered by the lack of an absolute parliamentary majority.

"The ball is in the politicians' court and we are waiting for their decisions, but they must not wait too long, because these decisions have deadlines," an official at the employers' federation declared.

Industrialists hope the uncertainty created by the finely-balanced election results will not divert attention from preparation for the opening up of the European internal market in 1992.

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THE BANK FOR INTERNATIONAL SETTLEMENTS ANNUAL REPORT

Dollar's 'weakness' makes policy co-ordination a crucial issue

A WARNING that the US dollar could remain susceptible to severe weakness for years is delivered by the Bank for International Settlements in its annual report.

"The US current account deficit is forecast to remain substantial for years to come," the BIS says. The dollar purchases to finance this deficit will be very large and therefore "even marginal attempts to reduce these huge open positions in dollars could entail major exchange market pressures."

It concludes that, as a result, policy makers have less room than ever for error in policy coordination. "The tolerance margins for policy slippages, indecision, and disagreements have become narrower.

"Failures in the field of policy coordination can quickly lead to severe market upsets with potentially damaging consequences for the stability and health of the world economy."

The increasing global integration of national markets has added to this sensitivity, says BIS, since "destabilising capital flows can assume vast proportions." However, the answer is not new controls on capital flows, but more stable national economic policy and coordination.

The fact that last year too much emphasis was placed on monetary policy and intervention to stabilise exchange rates, and not enough on fiscal policy, "seems to have served to shift pressures to the bond and equity market," the report says.

Nevertheless, a rerun of October's stock market collapse is unlikely despite the persistence of economic imbalances, concludes Mr Alexandre Lamfalussy, the BIS general manager.

The world, he says, is a different place from what it was a year ago. Progress has been made in reducing the imbalances, although they are likely to remain large, and the markets

REPORTS BY STEPHEN FIDLER

and financial institutions have shown their resilience in the period since the stock market crash. Moreover, the risk to global financial stability posed by the Third World debt problem has been reduced.

Except in Japan, stock markets are still well below their previous peaks and thus seem less vulnerable to bad news.

The report draws five lessons from the market break. First, the gains from the international diversification of portfolios had probably been overestimated. The "country specific" elements of the equity market may have been reduced, partly by the need for across-the-board sales by those operating in more than one market.

Second, different sets of trading, regulatory and institutional arrangements across markets may be disruptive.

Third, the concentration of trading in the hands of a limited number of institutions can "put stress on market-making arrangements, increase short-run volatility and have a disproportionate effect on price movements."

Fourth, mechanistic investment strategies insensitive to value can amplify price swings. Finally, market liquidity rests on perceptions of asset value, and the proliferation of risk transfer instruments – for example futures and options – "may tend to lull market participants into a false sense of security."

The BIS notes that the various reports on the crash, mainly from the US, disagree in their recommendations, raising the risk of competition across exchanges with financial centres trying to capitalise on restrictions placed on other markets.

It warns that some of the steps taken since the crash have widened, rather than narrowed, the gulf between markets. For example the US has introduced price limits in the futures market, but not in the cash market. Other measures, such as the restrictions on index arbitrage, address symptoms rather than causes.

Third World debt risks are 'alleviated'

THE risks posed by the Third World debt crisis to global financial stability have been alleviated, according to Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements.

The exposure of banks has been declining for years in relation to their capital base, while more and more of them have been able to set aside sizeable provisions against losses.

> Increased efforts are needed in debtor and creditor countries to make progress by economic growth

He concedes that time has not worked in favour of the debtors to the same extent. However, the years since the crisis broke in 1982 have not been wasted, he says. For one thing, there is a growing awareness among debtor countries that their debt problems are part of larger internal problems.

In its analysis of the subject, the BIS describes the debt crisis as painting a mixed picture. The plan outlined by US Treasury Secretary James Baker in 1985 to make progress through economic growth is still valid. However, increased efforts would hava to be made in both debtor and creditor countries.

Debtors would have to seek better use of current resources and improve their continuity of policy, while creditor countries should find ways to increase flows of resources to debtor countries and create the appropriate world economic climate.

On the positive side, the debtor countries achieved some improvement last year in their debt and debt service ratios, while creditor banks further strengthened their provisions against loan losses.

Brazil's abandonment of its moratorium on interest payments has allowed the climate of confrontation between debtor countries and creditors to be replaced by more constructive attitudes.

The BIS views with approval the development of new schemes and instruments, which provide for new injections of capital and increasingly outright relief of interest.

However, it says, many problems remain and the new initiatives are usually too limited in scope to touch the core of the debt problem.

Despite a favourable international economic climate, the domestic and external economic conditions of many debtor countries continue to be fragile. Gross national product and real investment are below the levels of the start of the decade. "It is not easy to see how these countries could embark on a satisfactory economic growth path without large new injections of capital or a sharp reduction in interest obligations," says the BIS.

Fiscal action needed to avoid return of inflation in US

THE Bank for International Settlements has warned of a re-emergence of inflation in the United States unless fiscal action is taken to reduce the US government budget deficit.

The bank's annual report also calls for fiscal policy to be used in West Germany to speed up growth.

The dangers of a resurgence of inflation in the US are referred to frequently hot it is BIS general manager Mr Alexandre Lamfalussy who makes the most specific reference in his conclusion.

"Fiscal action is required from the point of view of avoiding a re-emergence of inflation in the United States," he says.

Such a move would achieve a better balance between the budget deficit and domestic savings, and contain domestic spending within capacity constraints that are already affecting some areas of industry.

Leaving all this to monetary policy "would not be good for the stability of tha financial markets," he concludes. He concedes the political difficulties in changing the US fiscal stances and mentions "the unavoidable waiting period due to US elections."

In a speech to the meeting yesterday, BIS president Mr Willem Duisenberg, the head of the Dutch central bank, blamed financial market turbulence last year on inadequate fiscal policy, particularly in the US.

"What went wrong last year was that policy co-ordination relied too moch on exchange market and monetary policies and too little on fiscal adjustment."

However, he described Japan's domestic fiscal stimulus as "a notable contribution to the international adjustment process."

On West Germany, Mr Lamfalussy commented: "Stronger domestic expansion would be helpful for both internal and external balance," and said that use of monetary policy alone to achieve this would have drawbacks.

Domestically-generated inflation has so far remained subdued in the US, despite a falling dollar, growing capacity constraints and declining unemployment - consumer prices rose 4.4 per cent in 1987.

"But to count on a continuation of this windfall would not be the most enlightened policy, especially in the environment of rising commodity prices and with some of the effects of the earlier depreciation of the dollar perhaps still in the pipeline," he said.

In its assessment of general economic developments last year, the report notes that capacity utilisation in US manufacturing rose to 82.2 per cent at the end of last year from 79.8 per cent a year earlier.

While this was still below the peak of 87.3 per cent reached in 1973, a year regarded as one of overheating in the economy, "several industries, particularly at a primary processing level, are now recording utilisation rates in excess of those reached in 1973," the report says. Moreover, other factors suggest that total capacity levels in the US may be overstated.

More generally, the report concludes that "most of the major problems for economic policy a year ago are still with us."

The most important of them, the large payments imbalance in the industrial world, has passed its worst but is still expected to remain high by historical standards.

It concedes that in West Germany, the chronic budget deficit acts as a constraint against a more expansionary fiscal policy. By contrast the US "is one of the very few countries which does not face a fiscal constraint on the pursuit of a policy appropriate to the state of the economy."

With fiscal policy in many countries constrained, and monetary policy reserved for fighting inflation, the BIS concludes that there is little scope for traditional macroeconomic policy measures.

It is not surprising therefore that "policy makers have continued to see increased emphasis on measures to stimulate the supply side of the economy as the only logical - but also desirable – way out of their dilemma."

Alternative measures of the current-account balances of the three largest industrial countries

Current-account balances	1985	1986	1987 year	1987 first half*	1987 second half*
United States					
In billions of $	-116.4	-141.4	-160.7	-156.5	164.9
As a percentage of GNP	-2.9	-3.3	-3.6	-3.5	-3.6
Japan					
In billions of $	49.2	85.8	87.0	93.2	80.9
In 000s of billions Y	11.5	14.2	12.5	13.8	11.2
As apercentage of GNP	3.6	4.3	3.6	4.0	3.3
West Germany					
In billions of $	17.1	39.7	45.1	46.9	43.4
In billions od Dm	48.4	85.0	80.5	85.0	76.2
As a percentage of GNP	2.6	4.4	4.0	4.2	3.9

* Seasonally adjusted at annual rates
Source: BIS Annual Report

Forum of securities and banking supervisors called for

A NEW GLOBAL forum is needed for consultation and co-operation among securities market and banking supervisors, the Bank concludes in its annual report.

Such a forum is made necessary by the integration of the world's financial markets, which "can prove to be a constraint on supervisory initiatives."

While efforts have been made recently to increase co-operation, the BIS says only partial forums – such as the Cooke Committee for banking supervisors – and bilateral contacts between national securities regulators currently exist.

The report also suggests limits to the continuance of the international trend towards liberalisation of financial markets.

"As liberalisation of financial regulation continues, further eroding barriers among financial firms, the tension between competition and profitability, on the one hand, and prudential standards, on the other, is likely to increase."

It says it is certainly premature to claim that liberalisation has proceeded as far as reasonable standards of safety would allow. "Nevertheless, prudential concerns do place limits on liberalisation; these limits have taken on increasing weight in the policy debate, and can only become more prominent in the future," it concludes.

Liberalisation, for example, tends to widen the gap between weak and strong banks and increases the obstacles in the way of a general raising of prudential standards being encouraged by the supervisors.

Elsewhere, the BIS repeats the warnings made in its annual report last year about the fast rate of growth of debt in several of the main industrialised countries.

"On balance in 1987, the risks associated with debt accumulation appear to have worsened as a result of the combination of borrowing trends and falling equity prices," it says.

It also describes the large amounts being lent in bridge finance for mergers and acquistions, by commercial banks and securities firms, as a possible cause for concern, given the high risks

Hungary's new party chief to visit US

By Leslie Colitt in East Berlin

ONLY THREE weeks after becoming Hungary's party leader, Mr Karoly Grosz has said he will visit the United States next month for talks with President Ronald Reagan after conferring in Moscow with Soviet leader Mr Mikhail Gorbachev.

Mr Grosz replaced the veteran Mr Janos Kadar at a party conference last month and has promised wide-ranging political and economic reforms.

In another surprise development on the foreign policy front, the new party chief has said he will visit Romania this year for talks with President Nicolae Ceausescu.

Relations between the two Warsaw Pact neighbours, strained at best, have deteriorated sharply in recent months, with Budapest accusing Romania of discriminating against its 1.7m ethnic Hungarian minority. The party leaders of the two countries have not exchanged visits for more than 10 years, and a visit to Budapest in 1985 by Romania's Premier, Mr Constantin Dascalescu, failed to improve relations.

Hungarian television last week accused the Romanian authorities of passing a "death sentence" on Hungarian culture through its plans to raze many small villages in Transylvania.

The scheduled visit to Washington by Mr Grosz was discussed at a meeting he had last week with the US Deputy Secretary of State, Mr John Whitehead. It was Mr Whitehead's second visit to Budapest in six months, confirming the key role Hungary now plays in US policy towards Eastern Europe.

Washington has supported efforts to ease Hungary's acute economic problems, backing IMF and World Bank loans which will account for nearly $850m of the $2.5bn Hungary intends to borrow this year.

Hungary's gross hard currency debt at the end of March rose to $17.3bn, the highest per capita in Eastern Europe, while net debt rose to $11bn. But Hungary's balance of payments deficit was nearly halved in the first quarter of the year to $254m. At the same time Budapest's balance of trade improved by $390m in the first four months compared with a $420m deficit in the same period last year.

Mr Grosz told Hungarian television his talks with Mr Gorbachev would concentrate *on economic and trade matters.*

CSCE accord blocked by Romania

By Judy Dempsey in Vienna

HOPES OF bringing the follow-up meeting of the Conference on Security and Co-operation in Europe to an end next month rapidly disappeared after the Romanian delegation flatly refused to accept a compromise document drawn up by the 12 neutral and non-aligned (NNA) countries.

Diplomats from 35 countries participating in the meeting, which is a major review conference of the Helsinki Final Act signed in 1975, were astonished to hear the Romanian delegation reject the document.

Mr Dumitru Aninoiu, one of the Romanian delegates, rejected, among other things, a proposal which called for freer travel and emigration.

"Tha proposal concerning the right to leave one's country is unacceptable," he said, adding that highly qualified people needed to remain to "develop economic and social progress in their own country."

He also rejected any proposals which called for the creation of organisations "under tha pretext of implementing the CSCE documents." Such organisations were "acting against the interests of the state."

The Romanian response to the NNA document followed recent consultations between the Mr Aninoiu and Mr Ion Dactu, the two Romanian ambassadors in Vienna, and Bucharest. After the discussions, presumably with President Nicolae Ceausescu, the diplomats were issued with instructions on how they were to respond to any proposals which envisaged freer travel, human rights, religious freedoms and ethnic and cultural rights.

Any final document depends on consensus by the 35 participating states. It was hoped that such a document could be ready to sign by the end of July. One East European diplomat at the weekend said he now expected to be still sitting in Vienna by December because of the Romanian intransigence.

Action urged on Asian trade

THE NEWLY industrialised countries of Asia can make a significant contribution to the reduction of global trade imbalances, the president of the Bank, Mr Willem Duisenberg, said yesterday.

In his speech to the annual meeting, Mr Duisenberg, who is also head of the Dutch central bank, said the current account surpluses of the countries – Taiwan, Singapore, Hong Kong and South Korea – rose last year to $30bn.

He described these surpluses, of which Taiwan alone accounted for $18bn, as the largest counterpart, apart from the Japanese and German surpluses, to the large current account deficit of the United States.

Taiwan's foreign exchange reserves were now the largest in the world. "This group of countries, and Taiwan in particular, can make a significant contribution to the reduction of the present global payments imbalances, mainly by adoption of the appropriate trade liberalisation and exchange rate policies," Mr Duisenberg said.

Denktash accuses UN chief of pandering to Greek-Cypriots

BY JIM BODGENER IN NORTHERN CYPRUS

MR RAUF DENKTASH, the Turkish-Cypriot leader, said yesterday he was not optimistic about the outcome of a proposed meeting between himself and Mr George Vassiliou, the Greek-Cypriot President, under UN auspices.

Speaking in an interview with the Financial Times, he accused the UN Secretary-General, Mr Javier Perez de Cuellar, of pandering to Greek-Cypriot concerns.

Mr Denktash took issue with a recent report by Mr Perez de Cuellar that called for some Turkish troops to be withdrawn from the island's north. He also complained that the UN Secretary-General had described as "settlers" people whom he considered to be "fully integrated Turkish immigrants".

The Turkish-Cypriot leader also complained that the Perez de Cuellar report made no reference to a UN document of March 1986 which sets out a procedure for a Cyprus settlement.

Neither Mr Vassiliou nor his predecessor Mr Spyros Kyprianou has accepted the March 1986 proposal: they say it fails to address Greek-Cypriot aspirations for a withdrawal of Turkish soldiers and the return to Turkey of people who have moved to the island since the 1974 invasion. Until recently, Mr Denktash had made acceptance by Greece of the 1986 document a precondition for any substantive talks.

"When we look at it from all angles, we see a very serious attempt to please the Greek-Cypriot side, and bring Mr Vassiliou round the table," said Mr Denktash. "Unless I see a change of policy in the Greek Cypriot leadership, I am not optimistic."

Mr Vassiliou has not yet confirmed that he is willing to meet Mr Denktash on the basis proposed by the UN, but talks are widely expected to take place in July, in either New York, Geneva or some other European venue.

Laying out a position that is sharply at variance with stated Greek-Cypriot views, Mr Denktash called on Mr Vassiliou to stop demanding the return to their homes of all 200,000 Greek-Cypriots who fled south after the 1974 invasion.

"We shall talk (about) exchange of property, we shall talk compensation, but not (about) going back to the north, or Turkish Cypriots going back to the south," he said.

Any short-term withdrawal of Turkish troops from Cyprus rwould be unfruitful, said Mr Denktash. It would be conceding something to the Greek-Cypriot side without receiving anything in return.

He described as "utter nonsense" a report in the Turkish Cypriot press that he had made a secret appeal to President Evren for the retention of troops. There has been press speculation that Turkey might make a limited *troop withdrawal* as part of the "Davos" process of reconciliation with Greece.

Ozal dashes Greek high hopes

BY ANDRIANA IERODIACONOU IN ATHENS

THE TURKISH Prime Minister, Mr Turgut Ozal, warned yesterday at the start of an historic official visit to Greece that there could be no quick solution to the problems between the two countries, and that impatience could jeopardise the rapprochement launched in Davos last January.

"While searching for solutions to problems, we have above all to be patient. Our problems are not of a kind which can be undone with a single stroke of a sword like the Gordian knot," Mr Ozal said on his arrival, adding in halting Greek: "I feel friendship for Greece and I wish the Greek people happiness."

His cautious tone effectively poured cold water on Greek hopes for a breakthrough on the key issues of Cyprus during the visit. Athens and Nicosia want Mr Ozal to commit himself to the full withdrawal of Turkish troops from Cyprus according to a specified timetable. Turkey invaded and occupied the northern part of Cyprus in 1974 in response to a Greek military coup there.

Failing that, Athens had entertained hopes of a goodwill gesture in the form of the announcement of a partial troop withdrawal from Cyprus involving several thousand men.

Mr Ozal was not the only one with inhibitions yesterday. His noon arrival in Athens for a three-day stay was marked by only a perfunctory welcome, without the customary rendering of the two countries' national anthems and without the usual flying of the two countries' flags in the centre of the capital.

The lack of fanfare was a symptom of the Greek Government's nervousness about the possible political fall-out from the visit, which was accompanied by protests organised by opposition parties and private groups in both Athens and Nicosia.

In one of the most colourful of these a group of Greek Cypriot women occupied the Acropolis for several hours yesterday morning, draping giant flags over the battlements showing a map of Cyprus and bearing the legend "No to the Turkish occupation".

Critics charge that the Greek-Turkish dialogue launched by Mr Andreas Papandreou, the Greek Prime Minister, and Mr Ozal in Davos has served the purposes of Ankara, which had been urging talks for several years, while so far having secured no progress on key issues affecting Greece.

EUROPEAN NEWS

Sara Webb, recently in Kiruna, explores a landscape of reindeer, steelmills and state efforts to draw new ventures to the region

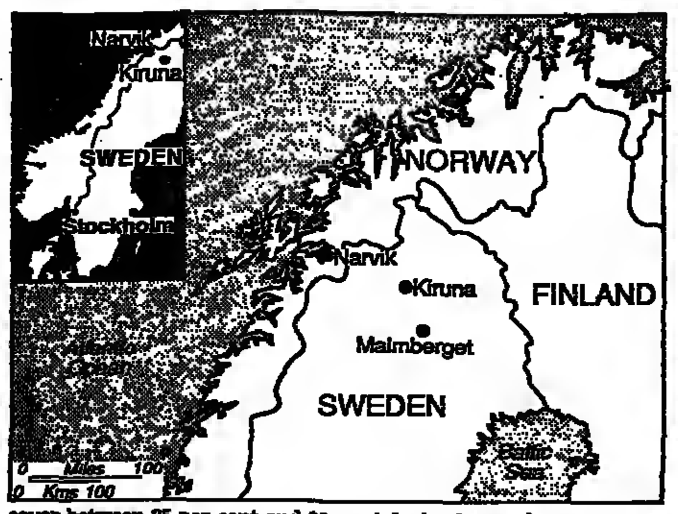
Sweden prepares its frozen north for a world of technology and tourism

"KIRUNA – town of the future" reads the road sign rather optimistically as you drive into Sweden's most important iron ore mining centre, in the far north beyond the Arctic Circle.

Signs of the future are far from obvious, however, in this the Norrbotten region of Sweden.

Kiruna is a mixture of ugly concrete blocks and traditional wooden houses. It lies in the shadow of the black waste heaps left over from the mining which even now are still dotted with patches of snow.

The railway which carries the truckloads of iron ore from Kiruna to Narvik on the Norwegian coast passes through a desolate but beautiful part of Lapland inhabited mainly by elk and reindeer.



Many Lapp communities dislike being treated as tourist exhibits

Perpetual daylight illuminates the bleak landscape until snow begins to fall in August. Sometimes it does not melt until May.

The Swedish Government faces a tough task to develop the region and encourage new businesses in the technology sector, which is seen as a priority, to set up there.

In this part of Sweden, companies can receive state grants for up to 50 per cent of their relocation costs (including investments in machinery and buildings), indicating the high priority the Government places in developing the region.

By comparison, in parts of central Sweden the grants usually cover between 35 per cent and 20 per cent of the cost while to the south of Stockholm, where there is a shortage of labour, there is little need for such benefits.

Such developments are crucial for the community at a time when traditional northern industries such as iron ore mining, steel and forestry face tough international competition and are being forced to restructure and shed labour.

Since 1977, these state industries in the north have cut jobs back by about 25 per cent (or 4,000 people) to 12,000.

A further 2,200 jobs are to be cut in the next three years, mainly in the steel and iron ore mining.

The problems facing LKAB, the Swedish state-owned iron ore mining company, reflect low commodity prices and cheap dollar.

During the late 1970s and early 1980s, LKAB made heavy losses. But after restructuring and concentrating on the production of high quality pellets it started to show healthy profits again, peaking in 1985 with a profit (after financial items) of SKr833m ($139m) on sales of SKr3.68bn.

Since then, profits have fallen again and this year LKAB expects to only break even.

Annual production is about 17m tonnes. But although the mines at both Kiruna and Malmberget (to the south of Kiruna) can be extended and operated for a further 25 years and are very efficient, they are much more costly to operate than the open pit mines of LKAB's international competitors.

"We are the biggest employer inland in the Norrbotten area," says Mr Hakan Sundin, executive vice-president of LKAB "and at Kiruna where we have our biggest mine almost every job in the town depends on LKAB, but it is very important to try to encourage other businesses now."

In March, Mr Thage G. Peterson, Industry Minister, proposed investing SKr1.3bn in job creation, retraining and education, particularly in the high tech fields such as those related to the space and satellite projects near Kiruna. These projects are supposed to create about 2,000 jobs.

Although the official unemployment figure in Sweden is about 1.8 per cent, in parts of Norrbotten it is as high as 8 per cent or 9 per cent.

In the south, on the other hand, some parts of the manufacturing industry are suffering from a shortage of semi-skilled labour to the extent that the Confederation of Swedish Industries, which represents Swedish companies, has even urged the Government to tap the pool of unemployed in the EC to solve the problem.

Although workers have moved south from Norrbotten over the years to meet this demand, the Government would far rather prevent further depletion from the already sparsely-populated north.

The official line tends to be that everyone should have the right to work in the area where they were born, but the real reason concerns Norrbotten's strategic importance, as it lies between Nato-member Norway and (east of Finland) the Soviet Union where about 75,000 troops are based in the south-west corner.

Government spending is now concentrated on improving educational facilities for example by offering a wider range of courses in the technology field at Lulea college while encouraging companies to relocate to the area to provide long-term employment for graduates and people who have been retrained.

"It is important for people to be educated in Norrbotten, otherwise they will move away," says Mr Björn Ericsson, an official at the Industry Department who himself moved away from the north to study in Stockholm.

Sweden's space industry, centred near Kiruna, is still only a minor employer with a staff of about 200. "But every job here counts," according to Mr Ericsson.

He believes that as the scientific research and satellite image opportunities increase, up to 2,000 employees could be employed on these and related projects, working with Esrange, the rocket range and satellite control station and the related satellite image processing centres where the first pictures of the Chernobyl nuclear disaster were produced.

The size of the grants available from the state depends on how many new jobs are being created by the company, how diversified the industry in the area is, and what sort of labour market facilities are available.

In the past, these benefits have sometimes created overcapacity, for example in the sawmill and wooden house manufacturing sectors, but the industry department, local authorities and industry board now attempt to evaluate new projects more carefully.

While many state concerns such as the power board, defence supplier, customs and TV stations have agreed to set an example by moving some of their administration to the north, the private businesses have not been so keen to follow suit, citing poor communications and the harsh climate as the main disadvantages.

"We have visited about 40 companies in the last few months, such as banks, insurance companies and computer companies, trying to persuade them to move out of the crowded Stockholm area," says Mr Bo Widlund who deals with the financial support side of regional development at the industry department.

Another area where the Government sees ample scope for expansion is tourism. This already brings in about SKr1.3bn annually, accounting for roughly 20 per cent of Sweden's total tourism revenue. Half the tourism income from Norrbotten comes from skiing holidays, even during the summer.

Poll reform promise from Soviet official

BY QUENTIN PEEL IN MOSCOW

FAR-REACHING reforms in the Soviet electoral system were promised yesterday by a senior official of the Supreme Soviet, the nation's parliament.

Mr Yuri Korolyov, head of a department in the secretariat of the praesidium of the Supreme Soviet, admitted that in the past results had been falsified, and that "the very possibility of electing is actually missing at the elections, because ballots as a rule carry only one name."

As for the tradition of announcing 100 per cent yes votes, "(that) of course does not reflect the actual situation," Mr Korolyov told the official news agency, Tass.

Yet his remarkably outspoken criticism of the electoral system coincided yesterday with a staunch defence of the rules by a leading party official.

Mr Yevgeny Razumov, in charge of party organisation at the central committee, told Pravda, the party newspaper, that the selection of delegates for the forthcoming extraordinary party conference – frequently attacked in the columns of the Soviet press – gave "no grounds for being disappointed."

The conference is supposed to be debating political reforms to the party itself, in order to make the process of *perestroika* (restructuring) irreversible.

Only in the Baltic republic of Latvia, however, were more candidates nominated and put to the vote than there were delegates to be chosen. In other cases, Mr Razumov said, "the number of candidates was limited to the quantity which the party committee had the right to elect, according to the established norms of the Government."

"You can either like or dislike the system," he added, "but there are no deviations from the order established by the central committee."

The apparent conflict between two important statements on the democratic process by leading officials underlines the deep division in views on political reform in the Soviet Union.

At the same time it suggests that reforms to the Communist Party itself are likely to be much more difficult to enact than those to other Soviet institutions, such as the elected but virtually powerless Soviets themselves.

Mr Korolyov said the reforms he was talking about would be based on the debate at the party conference.

Natta resigns as leader of Italian Communist Party

BY JOHN WYLES IN ROME

MR Alessandro Natta, stricken by a heart attack just over a month ago, last night handed in his resignation as leader of the Italian Communist Party.

While far from unexpected, his departure is another inflammable ingredient in a heated internal debate about the party's future policies and direction, the outcome of which remains more of a mystery than the identity of Mr Natta's probable successor.

Mr Achille Occhetto, aged 52, has been "leader in waiting" since being appointed vice-secretary by Mr Natta a year ago. His election as secretary, now possibly one of the least enviable jobs in Italian politics, is expected to be confirmed by a central committee meeting next month and ratified early next year.

Whether the party manages a unanimous elevation for Mr Occhetto remains to be seen. At last year's central committee, no fewer than 41 right-wingers voted against him. Since then he has built bridges to the right and it has been the left which has shown rather more unease about his leadership qualities.

Recent heavy losses in local elections following the slump in the party's share of the vote to 26.6 per cent in last year's national polls – the lowest since 1963 – have pushed the party into a deep depression. Mr Occhetto recently called for a "new road" but he has not explained what this might mean in policy terms beyond a closing of the ranks on the political left. Relations with the Socialists, however, are complicated by the clear desire of Mr Bettino Craxi, the Socialist leader, to subordinate the Communists to the point of near extinction.

Norway shuffles cabinet in bid to strengthen image

BY KAREN FOSSLI IN OSLO

MRS Gro Harlem Brundtland, Norway's minority Labour Party Prime Minister, yesterday announced six ministerial changes to her cabinet in a bid to strengthen the party's image. The changes come just one year before elections and in the wake of public and party criticism of the minister of transport and communications and the minister of consumer affairs and government administration.

Mr Kjell Borgen, minister of transport and communications, has become minister of local government and labour.

Mr Borgen came under fire for his handling of proposals for a new international airport to serve Oslo. He had advocated a location which was defeated in the Storting (parliament) last week and which saw several party members defect in favour of the opposition Conservative Party's selection in the vote.

Mrs Anne-Lise Bakken was sacked from her post as minister of consumer affairs and government administration because of her handling of a wage agreement for a new government administration appointment made to Norway's postal service.

She has been replaced by a little-known education leader, Mrs Einfrid Halvorsen, 51.

Critics believe the Prime Minister has done little to strengthen her party, which has suffered defection by members to the Progress Party in recent months, by appointing ministers with little experience.

Sharpeville Six appeal for new trial rejected

BY ANTHONY ROBINSON IN JOHANNESBURG

THE FATE of the Sharpeville Six again lies in the hands of President P.W. Botha after a Pretoria Supreme Court judge yesterday rejected an attempt to re-open the trial.

Mr Justice Human, the original trial judge, rejected defence counsel's demand for a retrial because of alleged perjury by prosecution witnesses. Two witnesses said that they were tortured by the police to give evidence.

The judge rejected the demand for a retrial as "frivolous and absurd", adding that there was plenty of other incriminating evidence indicating the six should be sentenced to hang for the "common cause" murder in 1984 of a black town councillor.

He gave the six accused 35 days until July 19 to appeal to President Botha. The President's rejection of a similar clemency appeal earlier this year led to an avalanche of foreign protest and a last-minute stay of execution.

Defence counsel, and some prominent jurists, challenged the President's refusal to interfere in the course of justice in the Sharpeville Six affair when two weeks later he intervened to prevent the murder trial of six soldiers accused of killing a Swapo activist in Namibia.

The Sharpeville Six, five men and a woman, were convicted in 1985 for complicity in the mob murder of Mr Khuzwayo Dhlamini. He died in 1984, at the onset of two years of black revolt in the townships.

Over 2,500 blacks, including dozens of black councillors, policemen and real or presumed informers, were killed before the police and army crushed resistance with the aid of emergency laws which were renewed for a third year last Friday. Since then, hundreds of blacks have been detained and charged with criminal offences, including murder, for what opposition groups and many lawyers see as essentially political crimes.

Twenty-six other people are facing similar charges in tha Northern Cape town of Upington and 48 more blacks are believed to be in Pretoria's "death row" for crimes committed during the revolt. Last year 164 people were hanged in South Africa, the overwhelming majority black males.

● Mr Govan Mbeki, the African National Congress vataran released from jail last year, has been served with tighter restrictions under the renewed emergency laws. Mr Mbeki, who has been virtually under house arrest at his home in a Port Elizabeth township since his release on health grounds from Robben Island prison last year, was prevented from being interviewed or quoted or from taking part in political activities. In addition he has now been further restricted to meeting no more than 10 people at one time.

Hawke-aborigine treaty

MR BOB HAWKE, the Australian Prime Minister, says his Government is committed to signing a treaty with aborigines, AP writes from Sydney. He said he wanted the treaty in place by mid-1990 and offered to provide funding for a draft agreement that the Government could consider and ratify if acceptable.

"Firstly, there shall be a treaty negotiated between the aboriginal people and the Government on behalf of all the people of Australia," Mr Hawke said at a ceremony of 6,000 aborigines – the largest of its kind ever recorded – at Barunga, in the Northern Territory.

Mr Hawke made the offer as Australia celebrates its bicentennial, marking the arrival of British convict ships that started European settlement.

Aborigines are the country's original inhabitants, having settled the continent some 40,000 years ago. Making up 1 per cent of the 16m population, they see the bicentennial as an anniversary of *survival, not celebration.*

Mr John Howard, the opposition Liberal Party leader, called the proposal repugnant to all Australians and another form of apartheid.

Robert Thomson reports on the streetwise ploys used by workers on the move

Chinese play the market for job mobility

ON A PLOT of vacant land near ths centre of Peking, young women from the provinces chat idly in small groups, while potential customers circulate among them. Propositions at the unofficial maid market are mostly *innocent*, and the women are choosey, wanting to know if their new home will have a colour or black-and-white television.

In the west of the city, an engineer moves from table to table during a labour exchange day, talking to factory officials about the challenges on offer, challenges his present work unit, an engine plant, fails to provide. The 26-year-old has not told his boss that he is looking around, and expects trouble when he does.

Job mobility is still more a promise than a reality in the new China, where ambitious employees are captives of work units which can simply refuse the permission needed to transfer. More and more people, like the young maids, are taking the only exit, and dropping out of the system.

For those resigned to a life within the system, winning a transfer means "giving people gifts and hosting banquets," the engineer said. His factory has a surplus of engineers, and his skills are squandered. "I want to use my talents to play a role in the four modernisations. I would also like more money and more interesting work."

Finding a job or transferring is far easier for those with *guanxi* or connections, and the best *guanxi* is a *parent who doubles* as a senior cadre, as a just released official report has shown. A local government in Hunan, a central province, had allowed 452 people to take the posts vacated by their cadre parents, while the unconnected had to start at the bottom of the pile.

To get from job A to job B, an ordinary worker must have the approval of the old and new employers and, sometimes, of local Communist Party and district committees. Tha worker must arrange new housing, as most work units provide dormitories or apartments, but there is often a long queue.

Then there is the matter of the "file." All companies are supposed to keep a file on employees, and should open it to a new employer, but, as the magazine New Observer explains: "In the eyes of a personnel section chief, files are the great magic weapon with which he can supervise, punisb or promote others at will."

Take the case of Li Jun, who graduated from Peking University in 1966, and was then assigned to a *farm* machinery factory in the southern province of Yunnan. After 20 years away from the capital, he sought a transfer home, and found a Peking building materials factory willing to hire him. It asked the cadres at the farm machinery factory to forward his file. Not wishing to lose him, the farm machinery factory's cadres withheld the file, and told the Peking officials that Li Jun was a criminal. The job offer disappeared.

While bus drivers have little chance of finding new work in a state-run pharmacy, primary and secondary teachers are virtually forbidden from seeking new jobs because of a *teacher* shortage. But, for highly qualified workers, there is always the Peking service centre for talent exchange, run from a building attached to old French barracks in the foreign concession district.

The previously harsh job assignment system, which forced graduates to take jobs regardless of their feelings, has been relaxed in the past two years, but many young people are still posted to units in which skills are wasted. The talent exchange centre's director, Han Guangyao, admits that "these days it is still very difficult for peopla to change jobs."

"In China, our management system has always been that the personnel must obey the *demands of the leadership. There* is only a little bit of choice for personnel. Wa know we should reform this system. We want to make things easier," he said.

The centre arranges transfers within Peking, and also allows 200 people, no more and no less, to move to the overcrowded capital each year from others. Peking has just over 10m residents, inclnding a million transients, the maids among them. One inspired maid from povarty-stricken Anhui province has found lodging with a friend of a friend, and is working for four families, and earning more than her employers.

Han Guangyao said the young were keener than the middle-aged to transfer because "they are influenced by reform and western culture." Last year, the centre assisted 30,000 Peking people, up from 8,000 in 1986. It shuffles documents between old and new amployers, but does not assist workers wanting to leave the state system to try their luck in private enterprise.

China has about 6m people, or 1 per cent of the workforce, in private enterprise, running hair salons or clothing stalls or small restaurants.

The Government is encouraging smalltime private enterprise and yet is unprepared for its growth.

Curiously, a cherished reform, the contract system, bas restricted labour mobility. From October 1 1986, all new workers in state auterprisas, wbich employ 18 per cent of the country's total workforce of 505m, were expected to sign contracts guaranteeing bonuses for increased productivity, but binding them to the factory or department *for up to five years.* (Seventy-three per cent of Chinese work in the fields or rural industry.)

The Government now has an all-consuming passion for contracts. Output, profits, and even taxes are are contracted, and everything is negotiable. The inspiration was a successful contract system for farmers, but the difficulties of contracts for workers in service industries, such as propaganda, in which output is difficult to quantify, are only now dawning on the Government.

Palestinian activist deported

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Government yesterday brushed aside high-level US protests and deported Mr Mnbarak Awad, a Palestinian-American advocate of non-violent resistance, back to the US.

Amid elaborate efforts to prevent the celebrated activist gaining access to the waiting media, Mr Awad was brought from jail and put aboard a TWA flight to New York. There he has vowed to continue his fight to establish the right of Jerusalem-born Palestinians to permanent residence in the city.

Mr Yitzhak Shamir, the Prime Minister, personally ordered the expulsion of the US citizen, who for five years has headed a Centre for the Study of Non-Violence in Arab East Jerusalem, arguing that he was a security threat and a principal leader of the Palestinian uprising.

In so doing, the right-wing Israeli leader ignored unprecedented pressure from the Reagan Administration to refrain from acting against someone regarded

Awad: Washington pressure

in Washington as tbe sort of moderate *Palestinian* with whom Israel should be negotiating.

Both President Ronald Reagan and Secretary of State George Shultz intervened personally on his behalf. But where earlier pressure last autumn was successful in ovarruling au attempted deportation, with elections looming in Israel there was little prospect this time of a second stay of execution.

"There was no basis or reason to keep a man in Israel whose stay here was illegal. Besides that, he acts against security and order," said Mr Shamir yesterday.

Mr Awad was technically in breacb of his residence status, having overstayed by six months the last extension of his visa, as are many thousands of other Palestinians resident in annexed East Jerusalem and in the occupied West Bank and Gaza Strip.

His appeal to the Israeli High Court was based on tha claim that residents of East Jerusalem in 1967 – wben Israel captured the *territory* and imposed *Israeli* law – should not be treated in tba same way as Palestinians from the occupied territories who go abroad for lengthy periods. But this argument was ignored by the court.

Tehran claims 4,000 Iraqi casualties near Basra

IRAN SAID its Revolutionary Guards killed or wounded more than 4,000 Iraqi soldiers yesterday in a two-pronged offensive to recapture territory in southeast Iraq, Reuter writes from Nicosia.

The Iranian news agency, Irna, said fierce battles were raging in the *Shalamcheh* area, east of the Iraqi city of Basra. Only three weeks ago the Iraqi army drove Iranian forces from positions they had held there for more than a year.

"Our forces broke through mine fields, booby-trapped explosives and barbed wire to attack enemy positions from the north and the east of the Shalamcheh area," Tehran Radio qnoted a Revolutionary Guards field commander as saying.

In Baghdad, an Iraqi military spokesman said the midnight assault was checked and the Iraqi forces were preparing to launch a counter-offensive. He said the Iranian thrust was aimed at the Bubyan and Kut al-Suwadi border post, near the man-made Fish Lake east of Basra.

The offensive was Tehran's first major operation since the Iranians lost the Shalamcheh area on May 25 and were driven in mid-April from the southern Faw peninsula after occupying it for more than two years.

Iran's earlier *defeats* at Faw and Shalamcheh, its first serious setbacks since the early days of the war which began in September 1980, prompted a shake-up in the military command.

Tehran Radio, quoting a military communiqué, said three Iraqi armoured brigades and eight infantry brigades suffered losses of between 30 and 80 per cent and 730 Iraqis were taken prisoner. The prisoners included Col Mohammed Fateh Abdallah, commander of the Independent 429th *Infantry Brigade,* the communiqué said.

Tha radio quoted an army statement as saying helicopter gunships created an "inferno" for Iraqi forces, destroying tanks and personnel carriers in 28 sorties.

Abdullah visit to UK highlights foreign role

By Andrew Gowers and David White in London

CROWN PRINCE Abdullah ibn Abdul Aziz, heir to the Saudi throne, met Mrs Margaret Thatcher, the British Prime Minister, yesterday at the start of a four-day official visit which underlines the increasingly important role he is playing in Saudi foreign policy.

The talks, lasting about 80 minutes, focused mainly on the Arab-Israel conflict, but Downing Street indicated that issues related to Britain's three-year-old sale of Tornado aircraft to Saudi Arabia were also raised. There are continuing problems between the two countries over Saudi demands that Britain implement a programme of investment in the Kingdom to offset part of the £5.5bn ($10m) cost of the deal, with the two sides disagreeing over suitable projects.

However, Government officials pointed out that the Tornado deal is outside the remit of Crown Prince Abdullah, who is also first deputy prime minister and Commander of the National Guard, so substantive talks over the sale are unlikely this week. They rejected suggestions that the Tornado deal, Britain's biggest defence sale, might be in jeopardy because of the offset problem. The Crown Prince is meeting the Minister of Defence Procurement, on Thursday, and may discuss the National Guard's weapons requirements.

Tha main purpose of this week's visit, which takes place at Mrs Thatcher's invitation, appears to be to enable UK ministers to get further acquainted with the man who is likely to be in charge of Saudi Arabia if he survives his half-brother King Fahd. Unlike many of his brothers, Prince Abdullah is not widely travelled outside the Arab world.

Sino-Soviet talks resume

A CHINESE delegation led by Tian Zengpei, the Vice Foreign Minister, left yesterday to attend the 12th round of Sino-Soviet talks on normalising their long-strained political relations, AP writes from Peking. "We hope that progress can be made on the Kampuchean issue, the biggest obstacle" to normalisation, Tian told the official Xinhua News Agency before his departure.

Little progress has been reported in earlier rounds beginning in 1982 because of China's insistence on the removal of three "obstacles": Soviet support for Vietnam's occupation of Kampuchea, the Soviet military presence in Afghanistan, and heavy Soviet troop strength along its border with China.

Since the normalisation talks began, economic, scientific and cultural relations have steadily improved, with bilateral trade hitting about $2.5bn last year. But China has rejected overtures by Mr Mikhail Gorbachev for a summit with Chinese leaders, saying tha Kampuchean issue must first be resolved.

Philippine vigilantes criticised

By Richard Gourlay in Manila

A PROMINENT group of New York lawyers has released a report strongly critical of the increase in human rights abuses in the Philippines and President Corazon Aquino's support for armed anti-communist groups known as vigilantes.

The report by the Lawyers Committee for Human Rights says that after her first year in office, when abuses common under former President Ferdinand Marcos had become a "rare exception", human rights problams started to resurface in 1987.

The group timed the release of its report on a day when Mrs Aquino is addressing the International Labour Organisation in Geneva. It outlines cases of alleged brutality, region by region, by the military and vigilante groups.

The worst development during 1987, the report said, was the military's arming of the vigilante groups, some of wbicb bave "torturad, beheaded, and hacked to death people who they say support or sympathise with the New People's Army" rebels.

"In case after case examined by the Lawyers Committee, abusive vigilante forces have been shielded from the operation of the law by their military patrons," the report added.

Mrs Mary Concepcion Bautista, the Philippine Human Rights Commissioner, said in a reply that was included with the report that two years was too short a time to judge the Aqnino administratiun'a human rights record.

"In an environment of war it is most difficult, if not impossible, to completely prevent the occurrence of brutality and torture," she added.

Moscow seeks prisoners of war

MR MIKHAIL GORBACHEV, tha Soviet leader, met President Najibullah of Afghanistan yesterday as the Kremlin accused Pakistan of letting Afghan Moslem rebels hold Soviet prisoners of war on its territory and demanded their urgent return, Reuter reports from Moscow.

Soviet officials said that Mr Gorbacbev held morning talks with Mr Najibullah, who arrived in Moscow on Sunday on his way back to Afghanistan from Cuba.

Mr Najibullah later left for home, seen off by Mr Eduard Shevardnadze, the Soviet Foreign Minister, Tass news agency said. Details of the talks were not immediately available.

Meanwhile, the Foreign Ministry summoned Pakistan's ambassador to Moscow and asked for urgent measures to ensure the release and return home of an unspecified number of Soviet POWs, the official news agency said.

"First Deputy Foreign Minister Yuli Vorontsov, speaking to the ambassador, again raised the question of Soviet servicemen who continue to be held in camps of the armed Afghan opposition on Pakistani territory," Tass said. It said Moscow had repeatedly appealed to Pakistani President Mohammed Zia ul-Haq for action on the PoWa since an Afghan settlement accord was signed last April.

"The ambassador was told that we expect the President to honour the promises he made and the Pakistani side to taka the most urgent concrete measures in this regard," it said.

Military officials announced last month that 311 Soviet soldiers were missing in action as Moscow began withdrawing more than 100,000 troops from Afghanistan in mid-May.

Mr Gennady Gerasimov, the Foreign Ministry spokesman, was asked at a news conference yesterday how many of those men were PoWs held by Afghan rebels in Pakistan, but he declined to answer.

Dukakis bows to Jackson on S African policy

BY LIONEL BARBER IN WASHINGTON

THE Democratic presidential candidate, Governor Michael Dukakis of Massachusetts, bowing to pressure from the Rev Jesse Jackson, has agreed to brand South Africa a "terrorist state" in the party's 1988 draft campaign platform.

The Dukakis campaign accommodated Mr Jackson's demands on South Africa to avoid a party split on taxes and defence. The black civil rights leader has called for a freeze in the US defence budget and the renunciation of first use of nuclear weapons.

One key Democratic strategist said that South Africa was the least controversial issne on which to concede to Mr Jackson, who has been pressing for consideration as vice-presidential candidate on the Democratic ticket.

It virtually ensures that tougher US economic sanctions against Pretoria will become a campaign issue in the November general election.

Until this weekend, when Jackson and Dukakis campaign aides met in the remote millionaires' resort of Mackinac Island, Michigan, the Massachusetts governor had resisted calling South Africa a terrorist stata – though be backed strong sanctions and plans for US companies to disinvest there to protest against the regime's apartheid policies.

Formally labelling South Africa a terrorist state, because of its racial segregation and alleged encroachment on neighbouring states, would place it in the same category as Libya, Iran and North Korea. These countries are considered "outlaw states" and trigger antomatic economic and diplomatic sanctions.

The US adopted limited economic sanctions In 1986 after Congress overrode President Reagan's veto.

The House of Representatives is expected this month to vote on a new law banning most trade between the two countries and forcing disinvestment by US companies, but there is less enthusiasm in the US Senate.

The South African embassy in Washington said yesterday that the draft Democratic platform would have serious repercussions. "Jesse Jackson has succeeded in drawing South Africa into the debate. There is no longer any doubt that South Africa will be a campaign issue."

Mr Dnkakis's foreign policy adviser, Ms Madeline Albright, played down the outcome of the South Africa dispute and said it involved a mere semantic difference.

Further platform writing is to take place at a meeting of the full 186-member platform committee in Denver on June 25. However, both Dukakis and Jackson representatives said the draft "terrorist state" language would remain intact. Democratic party leaders stressed that the Mackinac meeting had been successful in so far as the divisions between Mr Dukakis and Mr Jackson on taxes, defence and a Palestinian homeland remained under the surface.

Waite 'was bait in plot to kill Gadaffi'

By Lionel Barber

MR TERRY WAITE, the Anglican Church envoy, was set up as bait in an elaborate plot to assassinate the Libyan leader Col Muammar Gadaffi hatched by the disgraced White House aide Lt Col Oliver North, according to a new book.

The Reagan Administration rejected Col North's plan because it violated US law, hnt it approved a bombing raid on Libya in April 1986 aimed at curbing Col Gadaffi's support for international terrorism.

The revelations are contained in a new book by a CBS News reporter, Mr David Martin, and a Wall Street Journal correspondent, Mr John Walcott, called Best Laid Plan - the Inside Story of America's War on Terrorism.

According to the authors, Col North, the National Security Council aide later sacked for his role in the Iran-Contra scandal, wanted Mr Waite to go to Tripoli to enlist Col Gadaffi's support for releasing US hostages in Lebanon.

The idea was to persuade Col Gadaffi to remain in his headquarters during the air raid instead of retiring to his concrete bunker. In the event, Col Gadaffi was near the site of the raid but survived the attack.

Mr Waite was apparently an unwitting pawn in Col North's scheme. The Anglican Church envoy was later abducted in Beirut while seeking the release of hostages and remains a hostage himself.

Col North is set to be the first of four men tried for his role in the Iran-Contra affair involving secret arms sales to Iran.

Nancy Dunne reports on the explosion which was a severe setback to US launch plans

Nasa picks up the pieces after fuel blast

US OFFICIALS are hurrying to contain the potential damage to shuttle missions, military development and the fledgling commercial space industry resulting from the destruction of a rocket fuel plant last month.

Tha accident was the most recent in what has seemed an endless series of debacles to strike the space programme in the last three years. In 1985 and 1986 disaster struck three of the nation'a major space launchers – the shuttle and the Titan 34D and Delta expendable boosters. Even the most reliable rocket, the Atlas Centaur, exploded. While the US has watched its space programme self-destruct, the Soviets have been breaking space records.

The mysterious explosions in Henderson, Nevada, sent workers fleeing into the desert, set fires, damaged schools and homes for miles around and produced a five-square-mile toxic cloud.

The plant, operated by Pacific Engineering and Production Company, produced 40 per cent of the US supply of a substance called ammonium perchlorate, the oxidiser that allows a rocket motor to hurn. The only other US producer of the vital fuel element is a nearby Kerr-McGee plant.

Overnight, the accident changed worldwide capacity for AP production from a 30 per cent excess to a 35 per cent deficit. Even more worrying, Washington officialdom failed to comprehend the psychological impact of the blast – described by some as reminiscent of an atomic explosion – on the neighbourhoods which grew up around the only two US producers of AP.

The shock of the accident put community pressure on the Nevada governor, who wasted no time in closing down the nearby Kerr-McGee plant. Now, US users are scrambling for supply and the shortfall is in danger of spreading overseas.

The US is by far the world's largest producer of the oxidiser, although some is also manufactured in Switzerland, Brazil, France and Japan. Both Brazil and France imported American supplies. For the next two weeks, an ad hoc committee of administration officials, working under the aegis of the National Security Council, will devise a plan under which competing interests will be allocated shares of AP.

Their conclusions are to be presented at a hearing of a House investigations and oversight subcommittee, which last week heard pleas from commercial interests not to be squeezed out when supplies are divided.

At the urging of the Administration, US companies have already signed launch contracts – some containing severe penalty clauses for delay – for 14 payloads worth over $770m. These launches are scheduled to begin in the first quarter of 1989 and to continue through the early 1990s.

The subcommittee's first concern was to reopen the Kerr-McGee plant, which has a capacity to produce 36m pounds of AP per year (compared with the 30m pound capacity of the destroyed plant). Kerr-McGee had made eight corrections demanded by a state safety inspection team, only to find new demands imposed by the local fire department. Those too were met, and it seemed possible that the plant could resume production this week.

Local residents, however, are still angry and fearful and new production capacity will clearly have to be built elsewhere in an uninhabited area. It could take anywhere from six months to three years to build a new facility. Financing plans to restore production capability are already under consideration by the National Aeronautics and Space Administration. The space agency is even considering as one option the creation of a Government-owned, contractor-operated facility.

In the meantime, preliminary estimates show that the loss of the plant will lead to a shortfall of AP of several million pounds in 1988 and even more in 1989. The Pentagon and Nasa are expected to continue to need 85-90 per cent of the supply in coming years, while commercial space demand will increase.

The shuttle is the largest user of AP, requiring 1.7m pounds per flight. Nasa says it has sufficient fuel for the next five shuttle flights – scheduled to resume launchings on August 31 – but it is worried about the schedule for a planetary probe which must be launched next summer, and other scientific projects.

The Pentagon needs AP for a variety of expendable launch vehicles and a host of weapons ranging from the MX and Trident missiles to the TOW anti-tank missile. (Wars may have to be delayed a while).

Mr Courtney Stadd, director of the Office of Commercial Space Transportation, believes the commercial lauoch providers will require about 16m pounds of AP through 1992. Without it, the industry could be destroyed before it gets off the ground.

Congressman Robert Roe, chairman of the House oversight subcommittee, is insisting that the allocation of AP preserves the balance of military, space and commercial interests. But, clearly, there will be winners and losers.

This latest disaster to US space and defence capability has raised old fears of sabotage. No acceptable explanation has yet emerged to explain the plant accident; some experts have even asserted that AP does not explode.

"We have to ask ourselves what the bloody hell is going on," says a Congressional staff aide. "Is there something here we're missing? But nothing thus far has said it is anything but a lousy string of accidents."

CHRONOLOGY OF SPACE-RELATED ACCIDENTS

- April 1981: Space shnttle makes first flight, long-delayed and over budget.
- August 1985: A US Titan 34-D rocket fails.
- January 1986: The space shuttle Challenger 7 explodes, killing the crew. The accident is snbseqnently blamed on problems with seals in the solid-fuel booster rockets. New launch date for remaining shnttles set for February 1988.
- April 1986: Titan 34-D rocket explodes after take-off. The Titan fleet is grounded.
- March 1987: An Atlas Centaur rocket carrying a satellite launched from Cape Canaveral fails and is destroyed.
- July 1987: A second Atlas Centaur rocket is damaged on launch pad, preventing launch of satellite.
- December 1987: A rocket fuel explosion at Morton Thiokol plant in Brigham City, Utah, kills four.
- December 1987: Shnttle launch postponed indefinitely after test failure in booster rockets.
- January 1988: Shnttle launch rescheduled for August.
- May 1988: Explosions destroy a rocket fuel plant In Henderson, Nevada.

Peruvian guerrilla leader captured

BY BARBARA DURR IN LIMA

THE SECOND most important leader of Peru's guerrilla gronp Sendero Luminoso (Shining Path) has been captured by police. The announcement was made on national television late on Sunday night by Mr Agustin Mantilla, tbe Vice-Minister of the Interior.

The capture early on Sunday morning of Mr Osman Morote Barrionuevo is regarded as the greatest blow yet by Peruvian authorities against Sendero. Mr Morote is the military chief of the guerrilla group, which has waged war for eight years, according to police.

Mr Morote was detained in Lima with two other suspected guerrilla leaders, who have not yet been identified.

In February this year, the Peruvian Government bad offered a bounty of intis 4m ($54,000) for information leading to Mr Morote's arrest. In the same wanted poster, printed regularly in the local press, the Government offered a bounty of intis 5m for the top leader of Sendero Luminoso, Mr Abimael Guzman.

Mr Morote is said by police to be wanted for multiple charges of murder of civilians and security personnel and for being the intellectual author of numerous other guerrilla attacks on public and private buildings.

He is regarded as one of the hard-liners within Sendero Luminoso.

US jury probes Coca-Cola sales

A US federal grand jury is investigating whether Coca-Cola paid bribes to people In the Sovlet Union,

The company has been served with snbpoenas requesting all documents relating to its 1986 sales agreement with the Soviet Union, the Atlanta Journal and Constitution reported.

Coca-Cola said: "Any allegation of wrong-doing related to our business with the Soviet Union is ridiculous." However, it declined to confirm or deny whether its records had been subpoenaed.

The US Attorney in Atlanta could not be reached for comment.

In 1986, Coca-Cola signed a $30m, six-year agreement with the Soviet Union.

Venezuela against rescheduling

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT, IN BASLE

VENEZUELA has no intention of seeking a new money package from banks this year and sees no advantage in a debt rescheduling, the country's central bank governor said yesterday.

Mr Mauricio Garcia Araujo was in Basle for the annual gathering of the Bank for International Settlements. His objective is to explain Venezuela's economic difficulties and how it plans to plug its foreign payments shortfall. He stressed that with elections looming in December in Venezuela and the oil price a perpetual uncertainty, he was hesitant to forecast beyond the end of the year.

Venezuela's projected 1988 public debt service this year amounts to $3.7bn, compared with $3.3bn last year. Of this $800m is principal repaid on non-reschednled debt such as bond issues, and only $400m of principal on its medium-term bank debt. A rescheduling with the banks therefore would do little to help its 1988 difficulties.

However, Mr Garcia points out that by the end of this year the country will have repaid some $6.4bn of public sector debt and $3.1bn of private sector debt since 1984.

Total debt stands now at about $31bn compared with $35bn at the end of 1983.

New foreign money, which this year must amount to around $2bn, must come from a variety of sources.

A fall in per capita income has allowed the country to qualify for World Bank lending once more, while Venezuela is contemplating drawing down on its $1.4bn surplus with the International Monetary Fund, which it will be able to do without conditions. Bilateral lenders such as the export credit banks in Washington and Tokyo have also restarted lending.

The country also hopes to raise further money through the capital markets following a $100m Eurodollar floating rate note issue earlier this year. A British banking group has been mandated to raise up to $150m, there is a private placement pending in Japan, and the country also bopes to make a D-Mark bond issue. Much of the 1988 financing needs are in place.

Manufacturing profits up in US

US manufacturers enjoyed a sharp rise in profits in the first quarter of 1988, and new orders and order books continued to grow rapidly in April according to figures from the Department of Commerce, writes Anthony Harris in Washington.

Seasonally adjusted after-tax profits averaged 6.3 per cent of sales in the first quarter, up from 4.7 per cent in the final quarter of 1987, and 5.5 per cent in the third quarter. These two quarters are the only ones in which estimated profits bave exceeded 5 per cent of sales since the beginning of 1984.

New orders rose by 1.2 per cent in April, with the strongest rise in non-durables, led by petroleum, chemicals and paper. Order books rose by 1 per cent to $418bn.

Outlook for EC-Hungary accord brightens

By David Buchan in Brussels

PROSPECTS that the European Community will soon conclude a far-reaching trade accord with Hungary brightened yesterday, as EC foreign ministers agreed s significant concession to Budapest.

The ministers agreed to split the difference between Hungary's demand for an end to EC quotas on its exports by 1992 and the Community's previous insistence that these could only be lifted by 1998. The new EC offer would remove quotas for Hungary by the end of 1995.

Sir Geoffrey Howe, the UK Foreign Secretary, said the EC should act to send a welcoming signal to the new Hungarian leadership, whose advent provided "a political opportunity" to clinch the protracted negotiations.

The EC is also renegotiating a 1980 trade and co-operation agreement with Romania, and negotiating a purely industrial trade arrsugemeut witb Czecboslovakia, which was yesterday expected to follow the Soviet Union and East Germany in seeking diplomatic accreditation.

Bnt Hungary is the only Comecou country to be offered concessions in both industry and agriculture, and an end to the quantitative restrictions which individual EC countries still impose on many exports from Hungary and other state-trading countries.

The EC Commission is pushing member-states to replace uatioual quotas with some Community-wide restriction by 1992, the supposed date for "completing" the EC internal market.

The foreign ministers yesterday promised the Commission that any deal with Hungary (with quotas extended to 1995) would not prejudice the single EC market plan.

Uuder the revised offer to Hungary, the Commuuity would retain use of safeguard coutrols on certain sensitive Hungarian imports from 1996 to 1998.

In return, the Community is demanding guarantees of better access for Western business to the Hungarian market.

Jim Bodgener reports that Iraq's mounting trade debt with Turkey is causing problems on both sides of the border

Iraqi credit squeeze catches Turkish exporters off balance

TURKISH exporters to Iraq are experiencing serious difficulties as the effects of a credit squeeze imposed by Ankara from April 1 bite deep into turnover and profits.

Iraq was told during a visit in late March by Mr Turgut Ozal, Turkish Prime Minister, that export credits would be halted until Iraq paid off most of its $2.7bn worth of debts.

Exporters were caught off balance early last month by s central bank decisiou to disburse only 58 per cent of the value of Iraqi letters of credit through s clearing system, rather than 78 per cent as previously.

Uuder the clearing system, the Iraqi client arranges a letter of credit with the Turkish export company, but Iraqi hard cash payments flow through the central bank to emerge as Turkish lira payments to the exporters. This benefitted all parties when Iraq had the dollars to pay, but now leaves the Turkish Government painfully exposed.

Turkey is a major supplier of goods to Iraq, both from domestic production and from transit trade – the Iraqi market, with sales totalling $945m in 1987, ranked second only to West Germany for Turkish companies. In the first quarter of 1988, export sales rose by s staggering 176 per cent, prompting the credit squeeze as the Turkish Government's exposure reached alarming levels.

The total amount of letters of credit taken out by Iraq before tbe clampdowu in April amounted to $1,641m which, if extrapolated through 1988, would have meant total fresh credit for the year of $3,654m, clearly unacceptable to Ankara.

> Turkish traders have few fears that they will lose Iraqi clients to other third country suppliers. It is unlikely that Baghdad will be able to find another creditor as generous as Turkey

As *it is*, actual sales to date have amounted to $433m, which, added to the $2.13bn of Iraqi debt outstanding at the end of 1987, plus other miscellaneous receivables, brings the total amount owed by Iraq to Turkey to around $2.76bn.

On the other hand, in the first quarter Iraq supplied 63 per cent of total oil imports valued st $620.7m, according to Turkey's State Institute of Statistics, compared with 32.8 per cent in January-March last year. Officials of the treasury and foreign trade undersecretariat say that Iraq's debts amount to one third of all Turkey's external receivables.

The subseqnent decline in Turkish imports – particularly food supplies – must have a debilitating effect on Iraq's war effort and the morale of its population, say diplomats in Ankara. Supplies rauge from heavy machinery to frozen chickens but do not include arms, for fear of unbalancing Turkey's delicate tightrope act of active neutrality between the Gulf war combatants.

However, there have been unconfirmed reports that the chemicals used to manufacture the nerve gas used by Iraq against Iranian forces and Kurdish insurgent towns and villages have passed through Turkey disguised as ingredients of more innocuous compounds.

Turkish traders have few fears that they will lose Iraqi clients to other third-country suppliers. It is unlikely that Baghdad will be able to find another creditor as generous as Turkey, beset as the Iraqis are by debt on all sides. But Turkisb companies are concerned that Iraqi clients may call in performance bonds ranging between 5 and 15 per cent of the total cost of orders, despite pleas of *force majeure* by Turkey.

One large trader, for example, says he has $2m worth of Iraqi bonds outstanding, covering a total export volume of around $40m. Another executive estimates that around $250m in total is tied up in Turkish performance bonds in Iraq.

Traders are particularly vexed that the letter-of-credit ruling was retroactive, covering all Iraqi letters of credit whether freshly contracted or not. In effect, traders were left carrying 20 per cent of the cost of the orders.

Since Iraqi companies usually contract in bulk, with delivery scbedules often up to nine months in length, the traders' predicament is both costly and lengthy. Attempts to find a solution so far have failed, with Iraq declining even to pay by oil barter.

However, the visit of Mr Issam Abdul-Rahim al-Chalabi, the Iraqi Petroleum Minister, to Istanbul this week may provide a way out of the impasse. He could bring a proposal to build a third oil pipeline to parallel the two that carry a combined throughput of 1.5m barrels a day – Iraq's biggest crude export outlet.

Turkish exporters were already facing several official constraints in 1988: export tax rebate incentives are being phased out to comply with Turkey's obligations under the General Agreement on Tariffs and Trade, for example, and the export credit support replacing them is inadequate, say exporters.

The Turkish economy has been seriously affected by the Iraqi debt problem ever since Baghdad's default in 1986. Iraqi debt is cited as a major cause of inflation, since in effect the Government has to print money to pay exporters. Senior Turkish officials said recently that Iraqi debt was responsible for doubling lira printing last year.

SAS in $1.5bn MD-80s deal

By Sara Webb in Stockholm

SCANDINAVIAN Airlines System (SAS) has placed a $1.5bn (£833m) order for 61 McDonnell-Douglas MD-80 aircraft for use ou its domestic and European routes as the final step in its $2.72bn fleet renewal programme.

The new short- and medium-range aircraft will replace existing DC-9-21 and DC-9-41 models in the early 1990s.

SAS has already agreed to buy Boeing 767 aircraft for its intercontinental routes and Fokker 50 aircraft for its commuter and regional services.

The airline said that it might have to consider further investmeuts within s few years in view of the "new market environment of the 1990s".

The MD-80 was choseu as the most economical alternative, according to Mr Ulf Abrahamsson, who heads the airlina's fleet-planning side.

SAS also considered the Airbus A320, Fokker 100, BAe 146, and Boeing 737-300/400/500 models.

The first 24 aircraft, scheduled for delivery between 1990-92, will be MD-80 aircraft fitted with Pratt & Whitney engines.

The remaining 37 aircraft could be either MD-80 aircraft which have been refitted with prop-fan engines, or the MD-91 or MD-92 aircraft currently being developed.

SAS said it was considering the prop-fan eugine alternative, which would give a 40 per cent reduction in fuel consumptiou and is quieter, but which is more also expensive to buy and maintain.

Net investment in the new fleet will be $2bn, and SAS said it hoped to borrow half in the capital markets and pay the rest itself, provided it meets its profitability target this year.

After a weak final quarter in 1987, the airline introdnced a tough cost-cutting programme.

SAS predicted profits of SKr1.7bu (£156m) – before extraordinary items – for 1988.

"We are better off today than we thought a year ago, but we have to find some new equity this year and next year because of the aircraft investment and other projects," said Mr Jan Carlzon, the SAS chief executive officer.

Japan yields on whisky tax

BY IAN RODGER IN TOKYO

JAPANESE political leaders appear to have made a further minor improvement in their proposals to modify liquor taxes in line with the demands of a disputes panel of the General Agreement on Tariffs and Trade.

The ruling Liberal Democratic Party's tax system research commission said it would propose setting the new whisky tax rate at Y1,069 per litre.

This is somewbat lower than the Y1,250 per litre mentioned two weeks ago, and thus would reduce the gap between the tax on whisky and the tax on local spirit, called shochu.

The Gatt panel said the gap should be reduced to minimal levels, but the LDP's tax commission has recommended setting the shochu rate at Y137 per litre.

The European Commission and the UK Government have not yet expressed publicly their views on the Japanese Government's proposals.

They have been pressing Japan to remove the discrimination in Japan's tax system between imported and domestic spirits.

The proposed reform would eliminate the existing grading system which results in higher taxes on imported whiskies than on domestic ones.

But it would leave a wide gap between whisky and shochu.

Chinese mill contract for Davy McKee

By Nick Garnett

THE first contract for Bohai Aluminium's $250m (£138m) aluminium rolling complex in Hebei Province, China, has been won by Davy McKee, part of the Davy Corporation of the UK.

Davy McKee's overall contract, placed by the China International Trust and Investment Corporation (Citic), is worth about $50m.

Davy will perform as main design, purchasing and installation contractor for one cold rolling mill and three foil mills.

GEC Electrical Projects will supply electrical and computer control equipment. Some gauge and shaping machinery will also be built in the UK.

Davy said that much of the cold rolling mill equipment will be manufactured in China. Part of the work will be carried out by Citic at Qinhuangdao, where the aluminium rolling complex is being built.

Davy, whicb wou a $32m design contract for an integrated foil mill for Shanghai Aluminium two years sgo, won the latest contract in competition with several companies, including IHI of Japan and Aschenbach of West Germany.

Bohai is a new investment by Citic in aluminium fabrication on a greenfield site. An extrusion plant built by the Japanese has already been installed.

India power orders for USSR

BY K.K. SHARMA IN NEW DELHI

INDIA is to award contracts for two 1,000 MW nuclear power stations to the Soviet Union as part of efforts to boost bilateral economic and trade relations.

Moscow has offered an attractive financial package which, in effect, means that it will pay almost half the cost of the reactors. This is an important consideration, because India is facing a big shortage of funds for development projects.

The decision to award the contracts was taken despite opposition from India's Atomic Energy Commission to tbe original Soviet offer, made 10 years ago. The commissiou feels India is capsble of making its own nuclear reactors.

The offer was also opposed because Soviet-designed nuclear reactors were believed to be potentially hazardous, a feeling thst gained ground after the Chernobyl disaster.

The Government has rejected these arguments following considerable pressure from Moscow. The contracts are dua to be signed when Mr Mikhail Gorbachev, the Soviet leader, visits India next November.

This will be Mr Gorbachev's second visit to India in less than two years and demonstrates the increasingly close political and economic relations between the two countries.

When Mr Gorbachev visited India two years ago for the first time, he and Mr Rajiv Gandhi, India's Prime Minister, pledged to double Indo-Soviet trade by 1992.

Since then, the two countries have been exploring new areas of trade, particularly in capital goods and machinery, which India has recently been importing increasingly from Western sources.

The power industry has been identified as one of the main areas in which Moscow is to help India. Consequently, Soviet pressure for the reactor sales has been growing, the success of which is reflected in the fact that the original Soviet offer was for one 500 MW nuclear power station.

India is suffering electricity shortages and the Soviet reactors will be located in south India to feed the southern grid. One reason for the decision to award the contract was that the Government's target of setting up 10,000 MW nuclear generation capacity would not otherwise be met.

Moscow has also agreed to extend a Roubles 300m (£272m) line of credit to Indian businessmen to encourage them to import Soviet machinery.

The agreement will also be signed during Mr Gorbachev's visit. The new line of credit is meant to encourage Indians to set up such ventures based on Soviet capital goods imports.

The credit will be in addition to the Roubles 2.5bn made available in the past few years to the Indian Government for Soviet machinery and goods.

Swiss act on US patents pact

THE Swiss Government is attempting to counter what it *sees as discriminatory treatment* being given to the US in its bilateral accord with South Korea on pharmaceutical patent protection, John Wicks reports from Zurich.

Professor Franz Blankart, director of Switzerland's Bureau of Foreign Commerce, told the *Swiss Society of Chemical Industries* in Lausanne that the Swiss authorities were asking South Korea and the US to open up the bilateral agreement to third parties.

Switzerland would, if necessary, take up the issue within the General Agreement on Tariffs and Trade.

While he admitted that the patents sector was "not clearly subject to Gatt rules", he said his Government wanted the principle of most-favoured-nation treatment to be applied.

FT LAW REPORTS

Limitation issue confined

THE VOLVOX HOLLANDIA
Court of Appeal
(Lord Justice Kerr,
Lord Justice Dillon
and Lord Justice Nicholls):
May 25 1988

WHERE PROCEEDINGS are properly brought by a shipowner in a foreign court to limit his liability on a prospective damages claim, *the limitation issue* cannot subsequently be raised in an English liability action; and accordingly, the English court will strike out from writs served on him abroad those parts which would necessitate his raising a defence or counterclaim based on limitation.

The Court of Appeal so held (Lord Justice Dillon dissenting) when allowing an appeal by Dredging VO2 BV, owners of the Volvox Hollandia, from Mr Justice Staughton's refusal to set aside writs served on them in Holland by the plaintiff in one action, Saipen SpA, and the plaintiff in another action, Conoco (UK)Ltd.

Article 1(1) of the International *Convention relating to the Limitation* of Liability of Owners of Seagoing Ships (Brussels 1957), provides: "... *the owner of a* sea-going ship may limit his liability ... in respect of claims arising from ... occurrences [inclnding damage to property] unless the occurrence ... resulted from the actual fault or *privity of the owners ...*"

LORD JUSTICE KERR said that in March 1984 damage was allegedly caused by the Dutch vessel, Volvox Hollandia, to an *oil pipeline in the North Sea. The* pipeline was alleged to be owned by Conoco.

Conoco had entered into a head contract with Saipem, an Italian *company, to do certain work in* the area, and Saipem had entered into a sub-contract with the shipowners, VO2, for part of it. VO2 sub-sub-contracted with Geosite, *an English company, for the supply* of equipment and personnel.

The head contract and sub-contract were subject to the jurisdiction of the English courts. The *sub-sub-contract provided for ICC* arbitration in London. All three contracts were governed by English law.

After the occurrence in the North Sea the vessel proceeded to Rotterdam, her port of registry, as first port of call. The shipowners instituted limitation proceedings in the District Court of Rotterdam, *pursuant to the 1957* Convention on limitation of shipowners' liability, to which Holland and the UK were parties.

The proceedings were also properly *brought in Rotterdam* pursuant to the 1968 Convention on jurisdiction and enforcement *of civil and commercial judgments*, as supplemented by the 1978 Accession Convention (referred to together as the "Judgments Convention").

After the Rotterdam proceedings began, Saipem and then Conoco instituted proceedings in the English court, claiming damages against the shipowners and *Geosite. In addition to the claims* for damages, both writs claimed declarations that the shipowners were not entitled to limit their liability.

Leave was granted under RSC Order 11 to serve both writs on the shipowners in Holland. Mr Justice Staughton refused applications by the shipowners to set service aside. They now appealed.

It was commonplace for limitation proceedings and liability proceedings to take place separately. The Dutch shipowners were undoubtedly entitled to institute limitation proceedings in Holland (see article 6A of the 1968 Convention, and article 2 of the Judgments Convention); and under Order 11 there was jurisdiction *entitling Saipem and Conoco* to institute liability proceedings in England.

The purpose of the declarations claimed was to compel the Dutch *shipowners to litigate* the question of limitation in England, notwithstanding they had already instituted limitation proceedings in Holland pursuant to and in *accordance with the Convention.*

That was a blatant misuse of Order 11. The claims for negative declarations were a novel type of forum shopping with novel impli*cations. They distorted settled* law and practice governing the rights of shipowners to seek to limit their liability. They involved an exorbitant assump*tion of jurisdiction by the* English courts under Order 11 without regard for the implications of two relevant international conventions.

The shipowners faced two actions with different claims by Saipem and Conoco, and a claim for indemnity or contribution by Geosite should it be held liable to *either of them.* The declarations were even more inappropriate than if it were a "one-claim" situation – one action against the shipowners by one claimant.

Mr Howard for the plaintiffs admitted that a procedure whereby shipowners could be compelled to plead limitation as a defence and counterclaim in *two actions was unheard of.*

It was indefensible. If the shipowners were held liable but were successful on the issue of limitation, and if (as here) the *limitation fund was less than* each of the plaintiffs' claims, the procedure could only lead to two judgments *in personam between* the shipowners and the plaintiffs in each case for the amount of the fund.

The purpose of limitation pro*ceedings was to obtain a decree in rem* against all claimants for a single sum limited to the amount of the limitation fund.

In April 1985 the Rotterdam court *had provisionally* determined the amount of the limitation fund. As the "first port of call after the accident" it was an appropriate court for establishment of the fund (see article 5(2)(b) of the 1957 Convention). Proceedings for the establishment of a limitation fund were the first stage of a limitation action.

Given that it was not contested that the Dutch limitation action had been properly instituted by the shipowners in their own courts, before the plaintiffs had instituted their liability actions in England, the shipowners were entitled to retain any juridical advantage which there might be in a *limitation* action under *Dutch law.*

Under English law the right to claim limitation, whether by action or defence and/or counterclaim, was a right which *belonged to the shipowner alone.* Also, a shipownar was not obliged to plead limitation by way of defence and/or counterclaim, but was generally entitled to bring a separate *limitation* action.

The Dutch shipowners' right to bring their limitation action in Holland separately from – let alone in advance of – the plaintiffs' liability actions in England, was not open to doubt; quite apart from the fact that this was not a one-claim situation.

It was not necessarily *unjust* or inconvenient for liability and limitation to be tried separately. Although the issues no doubt overlapped to some extent, they were crucially different. The liability actions would be concerned with events when the damage occurred, whereas the limitation action would be concerned with the management and structure, and *alter ego* of the shipowners.

RSC Order 15 rule 11 conferred wide powers on courts to grant declarations. But they were discretionary and were exercised with caution.

Where a person was faced with a claim that he was bound to do something imminently, which he denied, he might properly apply for a declaration that he was under no obligation to do what was demanded of him. But an anticipatory claim for a negative declaration as to the rights or obligation of another person was clearly different. In the present case the plaintiffs sought declarations that the shipowners were not entitled to limit their liability in England under English law and procedure. No claim to that *effect had ever been asserted by* the shipowners.

Claims for declarations, and in particular, negative declarations, must be viewed with great cau*tion in all situations involving* possible conflicts of jurisdiction, since they obviously lent themselves to improper attempts at forum shopping. The present case provided a blatant example of that.

The jurisdictional provisions of the Judgments Convention were only applicable to proceedings instituted after January 1 1987 when the Civil Jurisdiction and Judgments Act 1982 came into force. Where they applied only the court first seised exercised jurisdiction. In relation to pre-1987 proceedings English courts were still entitled to exercise their Order 11 discretion.

But it did not follow that the *Judgments Convention* was irrelevant. On the contrary its provisions must carry great weight. It was *imperative that the exercise* of any jurisdictional discretion should take account of the transi*tional situation. That would not* be done in the present case if the writs were permitted to include the claims for negative declarations. The limitation issues *would in that event proceed both* in Dutch and English courts under different legal regimes, and a race for judgment would result. The undesirablility of *forum shopping followed by judgment* racing was self-evident.

The claims for damages could properly be pursued. A writ might, like *the* curate's egg, be *good* in part *and* bad in *part*, in which case the plaintiffs might not proceed with those claims which were bad.

The claims for negative declarations were indefensible under Order 11. The appeal should be allowed by excluding them from both writs.

LORD JUSTICE DILLON dissenting said that the basis of Mr Justice Staughton's decision was that though it might be possible for the different aspects of the disputes to be tried in different courts, in general trial of all aspects in *the* same court at the same time was likely to be a more economical and efficient procedure. It could not be said that he was plainly wrong. There was thus no basis for the present court to interfere with his decision.

Rachel Davies
Barrister

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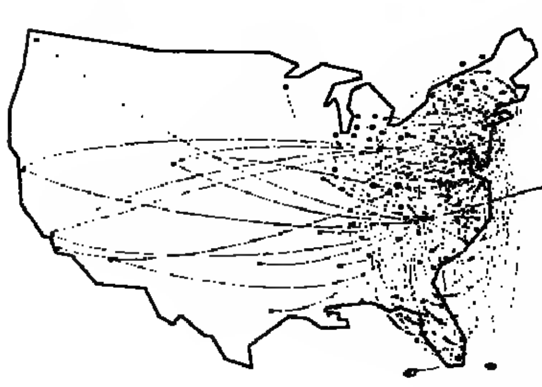

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DATA FUEL OVERHEATING FEARS

Pay rises and tax cuts add to high retail sales

BY RALPH ATKINS

THE STRENGTH of Britain's retail sales showed no sign of flagging in May, according to official figures published yesterday.

The Department of Trade and Industry's seasonally-adjusted index of retail sales volume increased by a provisional 0.2 per cent between April and May.

The increase was slightly lower than forecast by most independent economists but there is little evidence that the underlying growth rate is slowing.

In the three months to May, the level of sales was 1¼ per cent higher than the previous three months. Compared with the three months to May 1987 it was 7 per cent higher – against a comparable figure of 6½ per cent in April.

In May alone, sales volumes were 8.2 per cent higher than the same month a year before but sales then were depressed by bad weather. The value of sales in May was £8.1bn – 12 per cent higher than May 1987.

The DTI said the figures continued a strong upward trend since last year. Sales by non-food retailers were particularly strong.

In May the provisional seasonally-adjusted index of retail sales stood at 136.7 (1980=100) compared with 136.4 in April.

Growth has been fuelled largely by average earnings rising much faster than inflation. Consumers, confident about economic prospects, are willing to use credit for purchases.

Tax cuts announced in the Budget and recent falls in mortgage rates will help sales in the summer months. May's figures could reflect consumer spending in anticipation of this extra income.

Mr Ian Harwood, economist at Warburg Securities, said the provisional figures for May might be changed when final figures are published to show still stronger growth.

"Since the end of last year, every provisional figure has been revised upwards and May could well be the same," he said.

The buoyancy of retail sales has led to fears among some analysts that economic growth in the UK is becoming unbalanced. They fear exceptional growth could worsen Britain's trade deficit and push up inflation.

Ms Joanne Curley, UK economist at Morgan Grenfell, said retail sales are increasing at an underlying rate of about 6 per cent a year. However, industrial production is growing at only 4 per cent. "We are seeing demand growing much faster than output and the shortfall will be met by imports," she said.

Manufacturers costs up 2% on raw material rises

BY PATRICK DANIEL

COST pressures in the UK economy intensified last month as manufacturers faced an unexpected sharp rise in the cost of their raw materials.

The Department of Trade and Industry said yesterday that its price index of raw materials and fuel purchased by UK manufacturers rose 2 per cent in May, the largest monthly rise since the middle of last year.

The figures surprised economists who had expected input prices to rise by only 1 per cent after April's 0.8 per cent rise.

The index rose by 5.5 per cent on a year ago, some 2½ percentage points higher than the increase seen in the 12 months to April. The DTI said the rise mainly reflected higher petroleum and commodity prices.

One analyst said it remained uncertain whether higher input prices would lead to higher final product prices and an eventual increase in retail prices. With manufacturers enjoying buoyant margins and facing competitive pressures, they may absorb some or all of the cost rises, he said.

Companies may have to reveal R&D spending

By Peter Marsh

THE GOVERNMENT is likely soon to force companies to publish details of research and development spending in their annual accounts, Mr Robert Jackson, Minister for Higher Education and Science, said yesterday.

Mr Jackson, who was speaking at a conference in London on the funding of biosciences research, said he was in favour of tha change as it would send a signal to the investment community about the commercial importance of R&D.

The Minister said he could not elaborate on tha Government's deliberations over the issue. Any government move in this area is likely to require a change in accounting regulations.

As for Government-backed research in biosciences, which covers a variety of disciplines in chemistry and biology and is of increasing importance to the international drugs industry, Mr Jackson said be could not promise any further funds for academic institutions working in this area.

He did, however, announce a £3m joint research project, involving the British drugs industry and universities, to investigate new ways of delivering drugs to the body.

Red faces as publicity awards go begging

BY DAVID CHURCHILL

BRITAIN'S public relations industry faced the double embarrassment yesterday of being unable to find any communications campaign dealing with international issues or long-term strategy that deserved an annual award from the Institute of Public Relations.

The institute, which represents both in-house consultants and external consultancies and had a record 76 entries for its awards this year, was forced to admit that the standard of public relations work in these key areas fell far short of the level expected from its members.

Mr Tony Spalding, the institute's president and PR director of Dalgety, said yesterday that he was "astonished that with 1992 round the corner and the globalisation of brands becoming increasingly important, the PR business could not come up with a campaign deserving of the award."

The award for the best international communications campaign had been sponsored by Thorn EMI.

Mr Spalding was also critical of the industry's failure to come up with an individual or consultancy that had achieved an excellent campaign over the long term for a company or client.

The institute's difficulty in finding high-level public relations work reflects the concerns of many in industry that the standard of communication activity is falling. Many companies believe they are paying too much in return for too little effective PR work.

The institute, however, was able to make some awards in other areas. Paragon Communications won the business-to-business award for its efforts on behalf of ICL. The campaign also won Paragon the overall Sword of Excellence award.

Other award winners included McEvoy Wreford Bayley in the investor relations category for its work on the Rolls-Royce flotation and Ms Marian Edge, an associate member of the institute, for publicity about a world water ski event for the disabled.

Midlands steel site chosen for £150m business park

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

THE RICHARDSON twins, two West Midlands entreprenaurs who have become a significant force in the redevelopment of the Black Country, yesterday announced plans for the final phase of their 200-acre Merry Hill scheme near Dudley.

The final phase will take the form of a £150m business and leisure centre with 400,000 sq ft of offices, two hotels, a conference pavilion and entertainment. The Merry Hill scheme is expected to cost about £500m to complete.

Night clubs, theme bars, restaurants and bistros will be accompanied by a sports village consisting of an ice-skating arena, a fun pool, and undercover sports halls for squash and tennis.

The scheme, to be carried out by the privately-owned Richardson Developments, is proposed for the 80-acre site of the former Round Oak steelworks in Brierley Hill.

The office development in the final phase is a speculative project but Roy and Don Richardson say the sports village is already committed to IHS Sports Villages, a Swiss-based operator, and that they are close to pre-letting the rest of the development. Work is to begin this year for completion by 1991.

Watchdog says provincial rail services are in decline

By KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH RAIL'S provincial sector faces a "spiral of decline" unless services improve greatly, the official BR watchdog organisation warned yesterday.

The Central Transport Consultative Committee, which has statutory powers to monitor BR services, called for an improvement in frequency, reliability and comfort.

The committee was giving evidence to the Monopolies and Mergers Commission, which is investigating provincial services as part of its rolling programme of inquiries into nationalised industries.

BR's Provincial sector operates all passenger services other than long distance and Londoo commuter services, run by InterCity and Network SouthEast respectively.

Provincial lost £473m in the year to March 1987, compared with £507m in the previous year, and is regarded as hopelessly uneconomic. Provincial services form one of the main obstacles to the eventual privatisation of BR, which is unlikely before the mid-1990s.

The CTCC urged BR to reverse its policy of reducing its rolling stock fleet in order to cut unit costs, which had led to overcrowding on some services.

Thatcher to seek report on hooligans

MRS MARGARET Thatcher, Prime Minister, yesterday called for an urgent report on two nights of violence in Stuttgart, West Germnany, in which 89 English soccer fans were among more than 100 people arrested.

A government crackdown on hooliganism seems imminent after the clashes between English, Irish and German football followers after England's 1-0 defeat by the Irish Republic in the European Championship on Sunday.

Mrs Thatcher has kept in close touch with events and was said to be concerned that what had happened had further damaged Britain's reputation abroad.

She has asked Mr Colin Moynahan, Sports Minister, to report to her personally. He returned from Germany earlier yesterday and was said to be "very unhappy" about what he saw.

The Prime Minister believes misbehaviour by drunken soccer fans is not only bad in itself but can also damage Britain's business interests abroad.

Charges of theft, assault and causing damage had been brought against 11 English hooligans, with another 13 English and one Irish fan likely to be charged later, said police. Ten West Germans, six Irish, one Belgian and one Luxembourgeois were also arrested.

IRA suspect freed despite new law

BY OUR DUBLIN CORRESPONDENT

THE NEW extradition arrangements tortously negotiated by Britain and Ireland over the past several months appeared to fail at the first hurdle yesterday when Patrick McVeigh, a Belfast man whose extradition was sought in connection with a spate of IRA bombings in London in the early 1980s, was freed on a technicality by a court in the Irish Republic.

The District Court in Portlaoise ruled that the authorities had failed to establish Mr McVeigh's identity and therefore that he was the person named on the extradition warrant. He was released and, despite attempts by a couple of policemen to detain him, whisked away in a car by some of the 50 or so relatives and supporters who had come to the court.

Previous extradition fiascos, when extradition warrants have been found to be defective, have often embarrassed the British Government, but this one will rebound on the Irish authorities.

Mr McVeigh's was the first case heard under the Extradition Act recently passed by Mr Charles Haughey's Fianna Fail Government.

The most controversial aspect of the legislation was that it required the British Attorney General to show that the person whose extradition was sought had a case to answer.

This provision angered both Mrs Margaret Thatcher, the British Prime Minister, and Sir Patrick Mayhew, the Attorney General, who initially refused to implement it.

After prolonged negotiation, including talks under the aegis of the Anglo-Irish Agreement, a procedure was agreed. The McVeigh case was the first where the British Attorney General had supplied the necessary evidence.

That the case should have failed on a technicality will be a matter of concern to both governments. The importance of proof of identity has been well established from previous cases. It is also unusual for a District Court to release someone on an extradition warrant; final decisions are usually taken by the High Court.

Mr McVeigh faces charges in Britain of possessing explosive substances and conspiracy to cause explosions between 1980 and 1983. Three people died in bombings in London during that period but their deaths are not referred to in the charges.

Even if fresh extradition warrants are drawn up, Mr McVeigh may not make himself available for another court bearing. An extradition warrant for Miss Evelyn Glenholmes failed three years ago and she has not been seen since.

Peter Riddell looks at the Birthday Honours tradition resurrected by Mrs Thatcher

Loyalty pays off for Tory faithful

IT WAS singularly appropriate that the publication on Saturday of the Birthday Honours List coincided with the loss by Mr Michael Meacher of his libel case against the Observer over allegations about his family background. Both illustrated the classically English – and it is English rather than British – fascination with fine gradations of social and class position.

Yet the honours list is not just a harmless reflection of English snobbery, with only the recipients, and aspiring recipients, appreciating the significance of the distinction between the classes of honour. What entitles someone to a CBE rather than an OBE or MBE?

The list also serves an important role in political patronage which Mrs Thatcher has used to the full. The knighthoods awarded to five long-serving Tory backbenchers on Saturday are only the latest in a regular series since 1979.

In the past nine years 88 Tory MPs or ex-MPs have received knighthoods, including 50 members still serving in the Commons. The awards have become such a regular feature of parliamentary life that bets are taken among Tory MPs about who will be next in line.

Knighthoods are now more a tribute to parliamentary longevity and the ability to hold on to a safe seat than any particular distinction. A knighthood comes up after 15 to 20 years' service, and the post-1979 list includes many whose contribution to parliamentary life has been worthy rather than memorable.

Of those current Tory MPs elected before 1970, 63 have been honoured and only 10 have not been knighted – after leaving out those now peers or privy counsellors (mainly ministers or senior backbenchers like Mr Cranley Onslow or Mr Terence Higgins).

After excluding four with interrupted service and two ministers (who receive their knighthoods after giving up office), this leaves Mr Peter Fry (first elected in 1969), Mr John Hunt (1964), Mr Robin Maxwell-Hyslop (1960), Mr Norman Miscampbell (1962), and Mr Jerry Wiggin (1969). No doubt their turn will come.

Mrs Thatcher is now beginning to work her way through the 1970 intake – 13 so far honoured with 42 in the queue. Only 10 of those first elected in 1974 have received knighthoods, either former ministers or senior figures such as ex-vice chairmen of the Conservative Party.

While the possibility of a knighthood may keep an aspiring backbencher in line, it is no guarantee of future loyalty. There is no sanction left. For instance, seven of the 38 Tory MPs who voted against the Government over the poll tax in April had been knighted since 1979.

All this is to leave out the many awards to ideological allies and supporters, including many of the chairmen of corporate donors to the Conservative Party.

As Mr John Walker has pointed out in his critical account, "The Queen Has Been Pleased," honours have been awarded for political service since the establishment of party government in the 19th century. For instance, between November 1903 and December 1905 the Conservative Party awarded 36 honours of knighthood and above to members of the Commons. Over the next two years the incoming Liberal Government gave similar awards to 37 MPs.

However, awards for specifically political services – apart from working peerages – were largely suspended by the Wilson administration after 1964, and not fully revived until the arrival of Mrs Thatcher. Mr Edward Heath only recommended eight knighthoods in nearly four years in office, a restraint which increased his unpopularity among his restless backbenchers.

While Mrs Thatcher may have broken with many strands of Toryism, she has reverted to the traditional patrician approach to patronage. There are prizes for almost everyone if they show patience and loyalty.

THE BARLOW CLOWES AFFAIR

Swiss-based accountant denies connection

By William Dullforce in Geneva

MR DAVID Mitchell, a Swiss-based accountant, said yesterday that he had helped Barlow Clowes set up Barlow Clowes and Partners SA in Geneva in 1986 as "en administrative office for book-keeping". This had been a "temporary matter" after which Barlow Clowes and Partners had engaged its own staff.

Commenting on a report that Mr Mitchell had been listed as a signatory for the Geneva company between March and August 1986, Mr Mitchell said: "I might have been when setting it up but I do not remember." He had had no connection with Barlow Clowes and Partners in 1987.

Mr Mitchell said he knew nothing about Barlow Clowes and Partners having changed its name to Charnwood Company SA.

At the number for Barlow Clowes and Partners listed in the Geneva telephone directory an answering machine message said: "This is the office of the Charnwood Company SA" and asked callers seeking information about Barlow Clowes to call Gibraltar 79722. There was no reply from the number yesterday.

A source close to Charnwood said Barlow Clowes and Partners had closed its activities in Geneva at the end of March 1987. The Charnwood shareholders were the same as those of Barlow Clowes and Partners. The idea had been to take up other activities under the Charnwood name but the company was now "practically in liquidation."

Mr Gabriel Oltramare, a lawyer, was currently acting as director, the source said. Mr Oltramare was not available.

Investigators find only £16m 'to hand' in Gibraltar operation

BY NICK BUNKER

INVESTIGATORS of the Barlow Clowes affair have found that only £16m in cash and gilt edge securities remains readily to hand out of an estimated £138m owing to 11,000 people who invested in Barlow Clowes International, the Gibraltar fund management concern run by Mr Peter Clowes.

A further £85m was lent by Mr Clowes without proper documentation, interest rate agreements and on doubtful security to a series of companies controlled by Mr Clowes or his former business associates. Another £37m is at the moment unaccounted for, said Mr Michael Jordan, senior partner of Cork Gully, one of two London accountancy and insolvency firms acting as receivers and liquidators of Mr Clowes's two main companies, Cheshire-based Barlow Clowes Gilt Managers and BCI.

At a press conference in London last night, Mr Jordan said there was "a very substantial deficiency as far as investors are concerned." City of London police fraud squad officers have contacted Mr Jordan and his colleagues to indicate their interest in the affair.

The news yesterday confirms some of the worst fears of the 250 or so mainly British financial intermediaries who had placed clients' money with Mr Clowes. Mr Nigel Hamilton, senior insolvency partner of Ernst & Whinney, which is working with Cork Gully, said the Barlow Clowes affair was "a very, very sorry situation." He said it might be many months before there could be a payout to BCI's investors.

Details of the £85m lent by BCI are contained in an 86-page loan book, which was discovered among records handed over by Mr Clowes to the investigators late last week. Mr Jordan and Mr Hamilton spent three days in discussions with Mr Clowes and his solicitor, which came to a climax on Sunday night, when Mr Clowes agreed to sign over his personal assets, including five boxes of deeds, and his former headquarters building in the Greater Manchester satellite town of Poynton.

The £85m of loans were made up of £62m lent to companies owned or controlled by Mr Clowes, including Chartley Marine, which is thought to own a luxury yacht, The Boukephalas, now moored in southern Spain. A further £2.5m was lent to Megaberry, Mr Clowes's property company. Of the £62m, Cork Gully and Ernst & Whinney believe that only about £15m is likely to be readily recoverable.

The rest of BCI's loan portfolio consisted of £23m mainly advanced to former directors of Mr Clowes's companies or of James Ferguson Holdings, the shell company of which he was chairman until his resignation last week.

Mr Jordan said £13m had been lent to companies connected with Mr Guy Cramer, former chief executive of James Ferguson, while £2m had gone to James Ferguson itself. Mr David Mitchell, a Geneva-based chartered accountant, also with business ties to Mr Clowes, received £2m, and a Dr Peter Naylor received £1m.

There were other loans of about £5m, Mr Jordan said, but he repeatedly stressed throughout yesterday's one-hour press conference that there were many difficulties in interpreting items in the Barlow Clowes accounts and that much more investigation was required.

According to the investigators, Mr Clowes appeared contrite during the talks over the weekend, and yesterday afternoon, when he attended a two-hour meeting at the London headquarters of Ernst & Whinney, which had been convened to allow investment intermediaries to be briefed about the situation. Mr Jordan and Mr Hamilton said that Mr Clowes continued to insist throughout that all the money would be repaid to investors. However, Mr Jordan said that Mr Clowes admitted that he had authorised the shredding of documents, though Mr Clowes apparently said this was because of the movement of some investments from his UK funds to his offshore funds.

Describing the mood of yesterday's meeting with intermediaries, Mr Jordan and Mr Hamilton said it was "very controlled." But they added that the intermediaries forcibly expressed their views that they felt let down by Mr Clowes, because they believed that money placed with him was being invested purely in British Government securities.

Mr Clowes refused to discuss any of his business activities with journalists yesterday.

The only good news for Barlow Clowes investors yesterday concerned BCGM, Mr Clowes's UK gilts fund, which had 7,500 investors. The investigators found about £50m of gilt certificates, which had been converted into cash of £52.3m since last week.

Investors' money used to shore up James Ferguson Holdings

BY RICHARD WATERS

BARLOW CLOWES investors lent money to shore up James Ferguson Holdings, a public company in which Mr Peter Clowes last year became chairman and chief executive.

This is just one of a web of transactions which is now coming to light through which investors' money was used to support a range of companies under the control of Mr Clowes. A number of the companies, the interests of which extend far beyond financial services into jewellery and second-hand computer sales, relied on borrowings from Barlow Clowes investors to keep them afloat.

An auditor of a number of these companies yesterday hit out at the lax regulatory environment that allows companies to engage in these types of transactions with related parties.

Mr John Priestley, senior partner of the Manchester office of Arthur Andersen, the accountant and consultancy, which audited a handful of companies controlled by Mr Clowes, described the current regulations as "a free-for-all." He said: "The question of related party transactions of all sorts has not been properly regulated in the past."

Andersen considered a number of loans from Barlow Clowes Nominees, an investment vehicle formed to hold securities on behalf of Barlow Clowes investors, so significant as to merit disclosure in the accounts of other, related companies. "In those situations, the financing was a substantial amount, and the companies were dependent on the continuation of that support," said Mr Priestley.

The following loans made by Barlow Clowes Nominees have come to light:

- An unknown amount to James Ferguson Holdings. This was outstanding in March 1986, but had been repaid a year later, according to the company's accounts. The loan did not exceed £300,000. James Ferguson later bought out Mr Clowes' companies.
- An interest-free loan of £2.5m to Mekom Computer Products, a distributor of laser printers, outstanding at 31 March 1987. £1.9m of this was later repaid.
- £1.4m to J.T. Cottrill, a retail jeweller. This amount was outstanding at January 1 1986, the last date for which accounts have been filed.
- £1m to International Loose Stones, a wholesaler of loose precious stones, outstanding at 31 July 1986 – also the last date for which information is available.
- £324,947 to Victoria Appointments and Contracts, an employment agency in the computer indnstry. £100,000 has been repaid since March 31 last year.

Parent company born out of ailing knitwear group

David Waller looks behind the companies involved in the Barlow Clowes affair

THE UNFORTUNATE parent of the deeply tronbled Barlow Clowes empire did not exist at the turn of the decade. James Ferguson Holdings, a company born out of the more speculative end of the bull market in UK equities, has been fashioned out of the shell of a loss-making knitwear company, Shaw & Marvin.

The company acquired its present name after Mr Guy Cramer arrived on the scene in the summer of 1985. A well-known figure in West Yorkshire, Mr Cramer was 24 when he bought a 19 per cent stake in the ailing textiles company and became the UK's youngest chief executive of a quoted company. Already wealthy as a result of property transactions, he had started his business career running a crockery stall in Leeds market.

With the backing of Mr David Mitchell, a Swiss-based chartered accountant, Mr Cramer set about injecting some property assets into Ferguson's ailing balance sheet and took the company into financial services for the first time with the purchase of Ridings, a Leeds-based purveyor of personal loans. In September 1985 the company bought Property Pensions, a Scarborough-based property company controlled by Mr Cramer, exchange for shares.

In January of the following year Mr Peter Clowes made his appearance. He and his wife took a 7.2 per cent stake in the company and it was announced that "discussions were taking place with a view to closer co-operation with Barlow Clowes and Partners". In March, Mr Clowes joined the Ferguson board and in June, Ferguson agreed to buy the Barlow Clowes income plan business and one of Mr Clowes's computer companies, DataComms.

At the time Mr Clowes explained that investing in gilts was a neglected sector of the financial services market. In an interview with Accountancy Age in July 1986, he said that gilts were an ideal form of investment for ordinary people approaching retirement – people who wanted a reliable level of income from their savings hut lacked the sophistication to play the stock market.

"We don't have to interpret the gilts market," he said. "All our services are precise to the point of being mechanical."

A former computer programmer, Mr Clowes had developed the software required to solve the complicated equations needed to take full advantage of the tax-free regime on capital gains on gilts.

If government securities had their appeal, shares in Ferguson itself did not. They were clearly speculative, having risen from 12p when Mr Cramer came aboard to 93p when they were suspended at the end of July 1986.

The suspension was a surprise. The company said that it was due to timing problems over sending out a circular on the latest acquisitions. However, the shares remained suspended until March last year.

On its reappearance, Ferguson asked shareholders for £4.6m in a three-for-one rights issue and announced the acquisition of the Barlow Clowes Group for £10.2m in shares. The cash had to be raised to shore up the company's balance sheet, where borrowings stood at six times shareholders' funds. The purchase price seemed expensive for the 10 companies owned by Mr Clowes, which made pre-tax profits of just £510,000 in the previous financial year.

In July last year, Ferguson announced a recovery to pre-tax profits of £315,000 for the year to April from losses of £229,000 in the previous year – and losses in each of the previous three years.

Later that month, Mr Cramer stepped down from the Ferguson board and sold most of his shares for more than £1m. Mr Clowes became chief executive as well as chairman. The two men continued to collaborate as corporate raiders: last autumn, for example, they won control through a nominee company of Buckley's Brewery.

Mr Clowes has resigned from the Buckleys hoard since the Securities and Investment Board moved to close down Barlow Clowes' UK gilt operations at the end of last month – the decision which led to yesterday's events. Trading in shares in James Ferguson had been suspended on May 24 at the company's request. In mid-September last year, the shares had been trading at about 192p; their price at suspension was 46p.

Maj-Gen tha Hon Stanley Eskell, a former director of the company who resigned last year to pursue other business interests as chairman of Greenwich Resources, said he met Mr Clowes some four times at board meetings.

He says: "Clowes seemed to be very calm and knowledgeable, and assertive. He had the air of success about him: he was very authoritative. I can't think of this small, rather remote man painted up as a kind of jet-setter. It doesn't seem to fit. I am very surprised and absolutely pop-eyed at what has been coming out in the press. It seems sensational."

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UK NEWS

Andrew Taylor and Tim Dickson look at a possible new tax

European Court poised for VAT on UK building

NEXT Tuesday, the European Court of Justice is due to give its verdict on whether British developers should be charged value-added tax on commercial and industrial developments worth more than £8bn a year in construction output.

The European Commission has asked the court to rule that a range of British goods and services, including commercial and industrial construction, private housebuilding, animal feed and seeds for food crops should be taxed. Previously these have been zero-rated for VAT, meaning no added tax is payable.

More than 30 per cent of British consumer spending attracts a zero rate of VAT, a higher proportion than any other European Community country.

The Commission's challenge is against alleged infringements of the Community's Sixth Directive and should not be confused with the proposals to harmonise VAT and excise duties made by Lord Cockfield, the EC Commissioner in charge of creating a single European Community market by 1992.

A guide to the court's decision was given in December by Mr Marco Darmon, the court's French advocate-general, whose preliminary opinion was that VAT should be paid on new industrial and commercial property developments but that housebuilding, animal feed, seeds and livestock for meat might continue to be zero rated.

He also supported the Commission's view that VAT should be paid on zero-rated goods and services for industrial customers including supplies of fuel, power, sewerage services, protective clothing and news services. Newspapers would continue to be excluded.

The court usually, but not always, follows the advice of its advocate-general.

In the normal course of events the introduction of VAT would be a nuisance, but would not create serious difficulties. The nature of the tax generally allows manufacturers and suppliers of goods and services to recover VAT costs incurred during their business. It is the final consumer, usually the public, who actually pays the tax.

Businesses, like banks, insurance companies, pension funds and other financial institutions, however, are exempt from VAT on many of their services. They have no facilities to recover VAT charges which developers or landlords might wish to pass on to them.

Landlords would have to decide whether to load the charges onto the rent or meet the tax charges out of their own pocket. This could lead to marginal schemes being abandoned and create confusion over which owners could recover costs.

Previously this has not mattered, as construction costs have been zero rated for new building.

Financial institutions rank as some of the biggest occupiers of commercial property and are also significant landlords of office, retail and industrial property.

The Government, under the Sixth Directive, could apply to introduce a lower rate than the standard VAT rate of 15 per cent. This would appear unlikely given the Government's previous preference to stick to a single rate.

The tax-take, assuming a 15 per cent charge would, according to Treasury figures, be around £350m a year. This seems surprisingly small given the scale of institutional ownership and occupation of commercial property.

Coopers & Lybrand, accountants, and Savills, the estate agents, which recently published a joint paper on the likely impact of VAT on commercial developments, are worried about disruption to the property market if the tax is introduced.

Landlords faced with the problem of how to recover VAT costs when renting to tax-exempt businesses would have to decide whether to load the charges onto the rent or meet the VAT charges out of their own pocket.

This could lead to marginal schemes being abandoned. It would create confusion with owners who would be able to recover VAT costs in some cases but not in others. It would also encourage businesses paying VAT and able to recover the tax in their normal business to become owner occupiers.

Coopers & Lybrand and Savills say a more sensible approach would be for the British Government to introduce an 'option to tax'. This would give an option to a landlord to pass on VAT charges to any occupier, tax exempt or not.

The landlord would no longer be the final payer of the tax and would therefore be able to recover its VAT costs in the normal way.

An institutional occupier would have to decide whether it was in its best interest to opt to pay the tax and negotiate a lower rent with the developer.

The construction industry has another concern: a prolonged period between the court announcing its decision and the British Government introducing new tax arrangements could lead to overheating in the development industry as schemes might be brought forward to escape the tax.

This would create even greater competition for labour and materials which are in short supply, particularly in south-east England, where the construction boom has been greatest.

Customs and Excise officials might also bring court action against schemes which had been advanced to avoid paying tax. A number of developers have been taken to court for trying to beat the introduction in 1984 of VAT on building alterations.

Contractors are also concerned that VAT charged on public sector contracts would come from money earmarked for Government spending and that budgets would not be increased to compensate – even though the Government would be paying the tax to itself.

The outcome will at first depend on what verdict the court reaches and subsequently on how the British Government decides to implement the verdict.

Anglo-Irish deal 'forced Unionists into rethink'

By Our Belfast Correspondent

MR TOM KING, the Northern Ireland Secretary, said last night that the Anglo-Irish Agreement had been a "shock to the system" for Ulster's mainly Protestant Unionist community.

There were signs of political progress in the province, he said on BBC television's Panorama programme. "There is no doubt that the Anglo-Irish agreement provided the shock to the system that has made a lot of Unionists think more fundamentally than probably many did before."

The agreement allows the Republic of Ireland a limited say in the running of the north.

"They thought they could live permanently behind the protection of a veto and somehow preserve a Unionist Orange Card that was always trumps - the ace of trumps that would always be delivered - and they didn't really have to consider their position."

He added: "I think they now recognise that they do have to consider seriously a fair basis on which the Government can continue."

The Rev. Ian Paisley, Democratic Unionist leader, reiterated Unionist terms for embarking on inter-party constitutional talks. He said dialogue between Sinn Fein and the SDLP would have to end and Anglo-Irish conference meetings be suspended during any discussions.

Mr Paisley said Unionists were prepared to begin meaningful talks immediately, provided that those conditions were met. On the question of talks with Mr Charles Haughey, the Republic of Ireland's Prime Minister, he said an internal solution in Northern Ireland would have to be found first.

Meanwhile, the SDLP and Sinn Fein, the IRA's political wing, yesterday held a fresh round of talks in Belfast, their fourth such meeting.

The two sides, led by Mr John Hume and Mr Gerry Adams, the MPs respectively for Foyle and West Belfast, met privately. The SDLP is seeking to persuade Sinn Fein to call on the IRA to end its campaign of terror.

You Too Could Become A Communications Expert In Just 15 Minutes.

Ever wished you were better at getting your message across? You know, spreading the word, disseminating stuff...communicating!

Like a true professional? Well, read on. Here are some of the all time, definitive, classics of communication.

Headlines that really gotcha. Posters that made you scared to go back in the water. Advertise-ments that made a man of you. Slogans that fed the world. Graffiti that really [illegible]ed you. Plus! A word from our sponsor on how you too could become a great communicator...

You too can have a body like a gorilla.

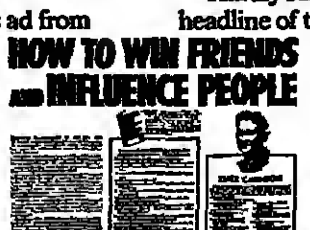
Advertising: "The rattling of a stick inside a swill bucket." George Orwell.

Whatever your opinion of advertising as a means of communication, there's no doubt the good stuff works.

And lasts. Probably the most successful and longest running ad ever was this one:

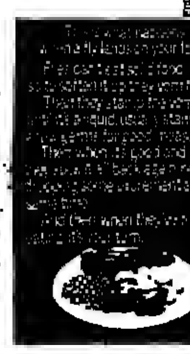
Orwell, more than most, might have benefitted from a spot of Dynamic Tension — the secret that Charles Atlas promised countless thousands would make them a new man in just 15 minutes a day. The ad first ran in the U.S. in the 1930's and Charles, (actually Angelo Siciliano, who died in 1972) continued to clench his buttocks and look tense for a good 40 years.

And how could anyone pass over this ad from the same era for Dale Carnegie's book:



For a time, that promise made it the world's best selling book after the Bible.

Here are some more of the all time classics of advertising communication:



A graffiti version of this ran: "*They laughed when I sat down to play. How did I know the bathroom door was open?*"

Great ads don't always need great budgets to communicate, of course. Buried deep within the pages of the immense New York Sunday Times, one advertiser in the 1950's leapt off the pages with the headline: "When was the last time you had a really good frock?"

Big Brother is watching you.

"There is no nonsense so arrant that it cannot be made the creed of the vast majority by adequate governmental action." Bertrand Russell.

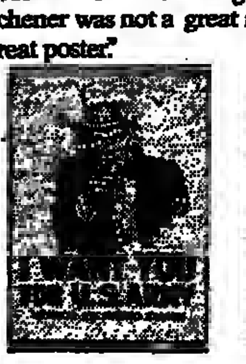
Some of the best communication has been pure propaganda.

The most memorable examples were created during the last two World Wars.

The messages were simple, direct and bore constant repetition — an essential ingredient of any propaganda. Thus:

The cartoon style of Fougasse, (pseudonym of the humourous artist, Cyril Kenneth Bird) added immensely to the power of posters such as 'Careless Talk Costs Lives'.

Allies often swapped campaigns too. So, 'Keep It Under Your Hat' became 'Keep it under your Stetson' in the States. 'I Want You for U.S. Army' with a finger-pointing Uncle Sam (the name was conjured from the initial letters of United States), was an imitation of the most famous recruiting poster ever, 'Your Country Needs You' of which Margot Asquith said, "If Kitchener was not a great man, he was, at least, a great poster."



Propaganda isn't restricted to print of course. Churchill, a bit of a dab hand at public speaking, made many immortal speeches.

One which few people know, because happily he never got to deliver it, was written in case the worst happened and Britain was invaded by Germany.

His advice to the nation, later picked up by Chinese restaurants, was going to be, 'You can always take one with you.'

But just because a country's no longer at war, propaganda doesn't stop. Supporters of whatever brand of 'ism seem to feel a desperate urge to communicate during elections. These got our vote:

(In case you'd forgotten, she was President Reagan's first wife.)

Freddie Starr and the amazing disappearing hamster.

"Don't forget that the only two things people read in a (News) story are the first and last sentences. Give them blood in the eye on the first one." Herbert Bayard Swope.

An instruction The Times quietly ignored in the headline: "Small earthquake in Chile. Nobody killed."

Hardly surprising it got voted the least exciting headline of the century. But nobody really expects the Qualities to get as frenzied as the Popular Dailies who observe the 'blood in the eye' rule in their own particular, not to say peculiar, style.

Americans know how to write a good headline too. Variety, the showbiz newspaper, is famed for its ability to condense headline news e.g. 'Hix Nix Vix Pix' which translates roughly into: Mid-western farmers (Hicks) give a film about Queen Victoria (Vic's Pics) the thumbs down (Nix). As for the possibly apocryphal, "Nut screws washers, bolts", perhaps you should work it out for yourself.

These examples are admittedly quirky. But the great newspaper headlines stay in the mind for decades. One of the most famous examples ran in the Mirror the day before polling day in 1951:

Daily Mirror WHOSE FINGER ON THE TRIGGER?

a headline which infuriated Churchill as it seemed to imply he was a warmonger. But it wasn't enough to stop the Tories winning the election.

But somehow, lunacy always wins through, as in this immortal one in the eye from the Sunday Sport: "World War II bomber found on the Moon".

BEANZ MEANZ HEINZ

A graffitist amended this great line to tell us what beanz really meant and the campaign had the wind taken out of it.

I ♡ sign language.

Great communication doesn't have to rely on words. Signs and symbols have long been powerful, silent communicators.

One of the best known signs in the world is the swastika.

It's remembered most vividly as a foul symbol of an evil philosophy, justly reviled. But it is in fact one of the oldest signs in the world and, barring its ignominious use, has always been a positive symbol standing for the supreme deity, infinity, the sun's power; cosmic stuff in general.

To settle potential arguments, the swastika can face either clockwise, (signifying the masculine, outer world in India) or anti-clockwise, (signifying the feminine, inner world in India).

CND's famous peace symbol is rather newer. It was introduced to Britain in 1958 by Bertrand Russell on the Aldermaston March. The original design by Gerard Holtom was adopted by CND and is thought to have come from the international semaphore alphabet, viz:

N (for nuclear) + D (for disarmament) + O (for total, complete, worldwide).

Whatever its origins, you won't wear your badge upside down again, will you?

The great thing about signs is that many of them are international. Some are known to a particular group only. For instance, unless you're a hobo or a gypsy, you won't know that + scrawled on a post or a fence means 'religious talk gets free meal', but you might guess that means 'man with a gun lives here'.

Ave Maria! Don't mind if I do

QEII Rules. UK.

Signs have been used for hundreds of years by shops to inform the ignorant or illiterate of what they sold. Things like , , and are obvious.

But the Medici's balls take a bit of explaining. The three balls formed part of the crest of the Medici family who were great money lenders.

Some signs mean different things to different people. So think a skull and crossbones means pirates, whereas we all know it means poison.

V Signs.

This is Winston Churchill giving the nation a V sign. And this is Harvey Smith giving the nation a V sign. Harvey's use of the two fingers changes the meaning of the deaf sign for V quite dramatically. It's easily done. An Italian would assume you meant his wife was cuckolding him and smasha your face in. Whereas, crook the two fingers slightly and a Kalahari bushman would think you were silently signalling the approach of a hartebeest.

Leaving your mark.

Logos are the orphans of the advertising world, shoved out on the streets to sell their hearts out. And of all the logos that surround us, none have got closer to ruling the world than Coca-Cola.

Enjoy Coca-Cola

Frank M. Robinson, a bookkeeper, named and designed the logo of Coke back in 1886. He took the names of two of the ingredients, cola leaf and kola nut, spelt the kola with a 'c' (it looked better in advertisements), then wrote out the trademark in his own hand, virtually as it appears today.

And it may be Clicknology now, but a hundred years ago when George Eastman put roll film in a box camera and called it Kodak, he began the happy snaps business with the line, "you push the button, we do the rest".

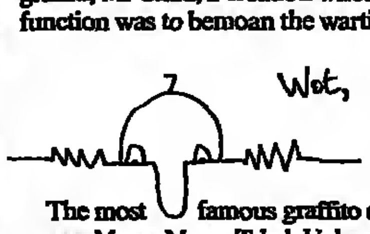
Nipper the dog did a similar job for HMV in 1901 and *he's still going strong — must be thanks to* SPRATT

Graffiti and toilet humour.

Graffiti may be an unstructured, spontaneous form of communication, but it's communication nevertheless. It has its own heroes of which surely the greatest this century must have been:

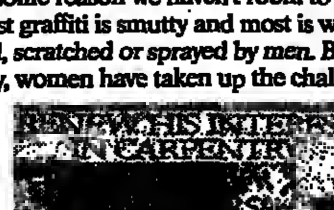
KILROY WAS HERE!

The invention of an American Infantry sergeant during the Second World War, Kilroy got everywhere, including the top of the torch of the Statue of Liberty. Rivalling it in ubiquity was what is probably Britain's best known example of graffiti, Mr Chad, a creation whose principal function was to bemoan the wartime shortages.



The most famous graffito ever was, of course, Mene, Mene, Tekel, Upharsin, written by a detached hand which appeared at a little do given by King Belshazzar. Daniel, (he of the lion's den) gave the translation which roughly, (very roughly) went: 'Your days are numbered, you've been weighed on the scales and found wanting, wave goodbye to your kingdom, pal.'

For some reason we haven't room to speculate on, most graffiti is smutty and most is written, *daubed, scratched or sprayed by men.* But recently, women have taken up the challenge:



Ads do beg to be amended sometimes, as in:

Mavis Brown reaches the parts most beers cannot reach

Nothing is sacred to the graffitiist: Jesus Saves! — *With the Woolwich* Or how about Marx on the toilet? 'Cisterns of the world unite — you have nothing to lose but your chains.'

And the longest piece of graffiti in history? A 4,000 character attack on his No. 1 teacher, Chang Kan, by a young Mao. Following a noble tradition, this was executed on the walls of the boys' lavatory.

BALLS BY PICASSO

Don't write on walls. *You mean we should type maybe?*

Know your !!! Slogan!

Slogans are a form of shorthand — rallying points for people who want to change the world, to keep it as it is, or to sell more soap.

The prize for the shortest slogan must go to this man:

Charles De Gaulle's complex argument against Britain's entry into the Common Market.

And the prize for one of the best loved goes to Baden Powell.

More recently, 'Feed the World' became a youthful rallying cry which makes one of the 'sixties best known youth protests 'Make Love Not War' seem positively indulgent.

'Be Prepared'

FEED THE WORLD.

Bill Stickers Is Innocent.

"I think that I shall never see/ A billboard lovely as a tree/ Indeed unless the billboards fall/ I'll never see a tree at all." Ogden Nash.

Film posters are often better than the films they promote. Here are a couple that have earned their place in poster history.

Stop me and buy one.

"It's not what you say, it's the way that you say it".

OK. This is it. The bit you've been waiting for. This is where you too can learn how to become a great communicator.

So how's it done? Easy. Get hold of the ultimate in communication. The brand new, all singing and dancing Epson LQ2550 dot matrix printer (catchy little number, eh?)

With one of these little beauties even a complete bonzo can now succeed in communicating like a professional.

This is because the Epson has more features on it as standard than any other printer in the world. In fact, short of adding a Teasmaid, Epson couldn't think of anything more you could possibly want from a printer.

For starters, the LQ2550 is extremely FAST. It prints 133 cps letter quality, (at 12 cpi) and 400 cps in draft. That's 'Freddie Star ate my Hamster' twenty times in one second.

With a built-in push-feed tractor, (no, it's not for doing the weedy bits in the back garden come the weekend) you can load two different formats of paper at the same time and flip between them at the touch of a button.

So, one minute you can be churning out The *Thoughts of the Chairman (in green if you fancy, colour's built in too)*; the next, envelopes by the barrow load.

It can also handle 1+5 multipart printing (ed?); has a 12 key SelecType panel and an 8k buffer in case a train comes through the wall.

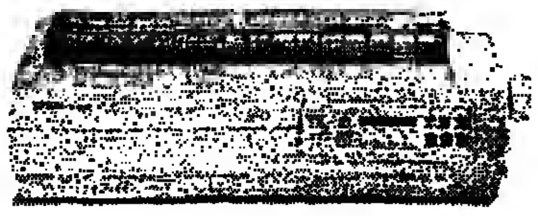
All for just £1,299 (RRP exc. VAT). How can you fail?!

Find out how you too could become a great communicator in just fifteen minutes today, by writing to Epson (U.K.) Limited, Freepost, Birmingham B37 5BR. Or in five seconds by calling up Prestel *280#; or ring 0800 289622 free of charge.

We can't guarantee the Epson will make you as successful as Charles Atlas of course, but at least looking your best won't be such hard work any more.

P.S. Tell us what the anagram in the semaphore border is and you could win an LQ2550, (you'll also get your pic in Epson's mag – a small price to pay). The first correct answer drawn out of the hat will be announced in January 1989. Closing date, December 1988.

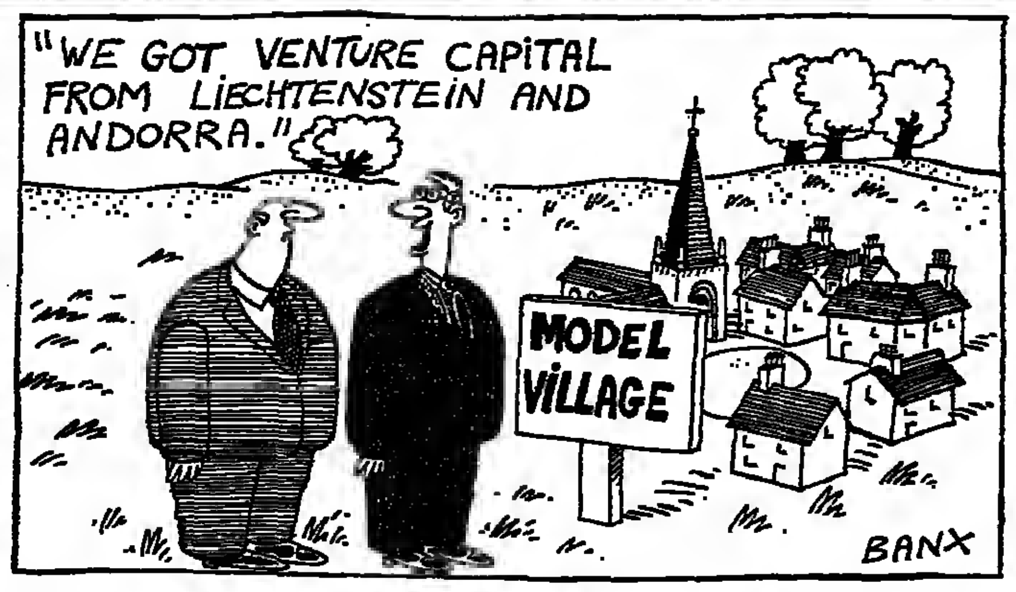
Clue: The anagram is derived from four lines of a song released in August 1965. That's all the help you're getting.



EPSON

Dunroamin Some call it Home Sweet Home, others opt for a more esoteric communication. What about 'Whinpoole' (think about it), or 'Aftermath', (on the wall of a retired professor of mathematics' home).

The most powerful words in advertising.



Reaping the benefits of international vision

Charles Batchelor looks at the ways and means of raising cross-border venture capital

METRAVIB Instruments, a small French manufacturer of vibration measurement equipment, used local venture capital funds to finance its expansion from a research laboratory into a manufacturer of specialist, one-off pieces of equipment.

To get to the next stage – that of commercialising its inventions and selling them to a broader range of customers – it went into a deal last year with two foreign venture capital groups and added Metravib to the small but growing number of companies to raise cross-border venture capital.

"We needed finance to increase our spending on research and development (R&D), sales and marketing," Michel Mercusot, Metravib's general manager, told the annual conference of the European Venture Capital Association in London at the end of last month. "But we knew we could not sell our specialised equipment only in France – it accounts for only 6 per cent of the world market – so we needed expertise as well."

Soginnove, the French venture fund and one of Metravib's existing investors, put the company in touch with the Geneva office of Baring Brothers Hambrecht & Quist (BBHQ), an Anglo-American venture capital group, which in turn brought in Neu-Europa, a German venture capital organisation.

The advantage of involving an international team of financiers over a purely French deal was that Metravib – with 1987 sales of just FFr 53m (£5m) and a workforce of 100 people – could be fairly sure that they would know if a rival was working on a similar range of products in Europe or the US.

Metravib's international venture capital partners also helped it adapt its product development and marketing efforts to the German and US markets. Finally, BBHQ last year helped Metravib identify and buy a small company in Boston, Massachusetts, while Neu-Europa is helping the French company find partners in Germany.

However, for all the attractions of international venture capital to high-technology companies such as Metravib and the financiers' enthusiasm for such deals, cross-border venture capital syndicates are still in their infancy.

Cross-border syndications accounted for just 7.1 per cent of all new venture capital investments in Europe last year – Ecu 209m (£138m) out of a total of Ecu 2.94bn, *according to the European Venture Capital Association*. This was a sharp increase on 4.4 per cent share achieved in 1986 but *less than early optimistic* hopes in the industry.

Why are the Europeans now starting to put together cross-border deals? An important reason is the need to create successful companies which can compete in world markets. Only companies such as these can give the venture capitalists the scale of return on their investments which have been achieved in the US.

For the smaller countries in Europe, transnational deals increase the scope for local venture capitalists. "International syndication gives a better flow of new deals and means we can spread our risks," said Jos Peeters, managing director of BeneVent Management, a Belgian venture fund.

But even the larger players such as Britain's 3i find joining international syndicates an efficient way of opening up new markets, both for cross-border and purely national deals within the various countries of Europe.

The British have been among the most enthusiastic in pursuing international transactions, partly because of the tough competition in their home market. Some are setting up a network of offices *throughout Europe while others* are establishing links with Continental funds.

The European Commission has *leapt into the fray* with the creation of Venture Consort, a scheme to subsidise a small number of cross-border transactions. However, funding has become bogged down in the Community's annual budget wrangles.

Now, with the prospect of a more unified European market in 1992, it has become more necessary than ever for companies to develop international strategies and increased the prospect of a further growth in cross-border venture capital deals.

But, despite the pressure on the venture capital industry to develop its international skills and the example of companies such as Metravib, there are obstacles to be faced at almost every stage of the game.

● Finding enough companies with an international vision is *the first difficulty*. "We face the problem of the 'dwarf syndrome'," Klaus Nathusius, head of Genes Venture Services and EVCA chairman, *told the conference*. "Many companies do not think big enough. They don't aim for international markets."

● Putting together a syndicate is not easy, even if all the investors are committed in principle. "Syn*dicates should* be *formed by peo*ple with the same objectives," warned Neil Cross, a director of 3i. Combining venture capitalists *seeking a quick return with those* who take a long-term view is a recipe for disaster.

● Raising finance internationally can be arduous and time-consuming for those venture capitalists who attempt to match their fund-raising to their investments.

Granville, the British investment bank, took a determinedly international view when it set up the Ecu 40m Callander Granville Euromanagement Fund (Cagrema) at the end of last year with funds provided by investors from eight European countries.

The problems Granville faced in establishing the fund mean it is unlikely to spawn many imitators until, at least, Europe harmonises its rules on the raising of finance.

Granville spent nine months putting the fund together, "a fortune" on getting a legal opinion in each country on who the shares could be sold to, and another £30,000 on travel expenses tracking down potential investors, according to John Singer, in charge of European operations.

Granville decided to go for a listing for the fund on the Luxembourg stock exchange combined with the creation of an *independent management* company. "I don't recommend that," said Singer. "We did it to protect the investors but it has added complexity and given us nothing in return. We tried to be too innovative."

● Putting together a deal involving participants in several countries can be complex and time-consuming. Buy-outs in particular, involving large established companies with operations in many different countries, can be particularly challenging.

Legal and linguistic difficulties abound. Participants may find themselves putting their name to lengthy documents in a foreign language and using terms which may have no exact equivalent in their own legal system. Currency fluctuations may be significant if negotiations drag on while different accounting and banking principles and practice may need to be reconciled.

● Investing across borders makes it harder for the venture capitalist to monitor his investment. Traditionally, venture capitalists have *invested close* to home. "We get monthly or bi-monthly reports from the lead investor in some of the companies we have *backed*," commented Klaus Nathusius. "Others can be very frustrating and we don't get any information."

● Cross-border syndicates may increase the opportunities for the venture capitalist to find a corporate buyer for a company when he wants to *pull out*. But the other main exit route – flotation – has yet to benefit from European integration.

In theory, a company could join the European stock market which gave it the highest valuation. *In practice* it will choose a market which offers liquidity and a pool of supportive investors. This could mean its own national stock market; in isolated cases it has meant a Continental company opting for London.

Despite the enthusiasm for new "secondary" stock markets with easier terms of entry throughout Europe, some, such as Brussels and Madrid, have failed to take off, while even the more successful sometimes set unduly demanding conditions.

None of the European countries has "a meaningful mechanism" for bringing new companies to market, according to Lynton Jones, European director for Nasdaq, the US electronic stock market. Nasdaq would be a potential competitor to list European stocks if the European exchanges failed to respond, he claimed.

The volume of venture capital activity in Europe – for the first time last year Europe raised more venture capital finance than the US – suggests there may now be sufficient momen*tum for cross-border deals to take* off, according to 3i's Neil Cross.

But, he warned: "There is no point in doing it for its own sake. The venture *capitalists involved* must bring something to the party in terms of experience, a presence overseas, or expertise."

It's high speed in high-tech

Charles Batchelor on a recent study of small exporters in the US

SMALL high-technology companies in the US become exporters at an earlier stage in their development than was previously thought usual, *according to a* recent study.*

Despite the difficulties usually associated with penetrating export markets, *these companies* grow as fast, and in some cases faster, in terms of employment and sales, than their non-exporting counterparts.

It is widely believed that there is an orderly progression in most US companies from serving local and regional markets, to national markets and only then moving to export markets with their perceived red tape and additional complexity, the study says.

In fact, young high-technology companies appear to be moving much faster than the traditional scenario suggests, according to the author of the study, Linda D. Frankel of the Boston-based Council for Economic Action, a research and consultancy group.

She analysed the responses from nearly 400 companies in the fields of biotechnology, advanced materials, optics, automation and test and measurement equipment. Small companies were defined as those with sales of under $10m each and which had been established in 1980 or later.

Among firms involved in advanced materials, optics and test and measurement, about *three-quarters had begun export*ing in their first eight years while more than half the companies in the other two sectors were *also selling abroad*.

Frankel believes such rapid progress reflects the speed with which new products and processes are now developed and marketed.

Despite suggestions that advances in communication systems will free high-technology companies and others from the need to be close to sophisticated educational, financial and research facilities, this study shows most companies do still need these close physical links.

Entrepreneurs setting up high-technology companies tended to come from small manufacturing firms, though in the advanced materials field the most common background was large manufacturers. In the biotechnology sector academic laboratories were also a significant source of entrepreneurs.

The small high-technology companies tended to see Europe and Japan as their primary sources of competition but only a small number of entrepreneurs felt that such competition was "unfair". The study notes that most support for restrictive trade policy comes from mature and large manufacturers where technological innovation is less robust.

Frankel concludes that the current US preoccupation with protectionism misses the mark, and government policy would be more productively focused on creating a hospitable environment for business start-ups.

* *The study, which is untitled, was presented to an OECD conference on The Impact of Market Globalisation and Technological Change on Small Firms held in Udine, Italy in May. Contact: Council for Economic Action, 100 Federal Street, 17th Floor, Boston, Massachusetts 02110. Tel (617) 434 2596.*

In brief...

A GROWING number of businesses set up by people who have taken part in the Enterprise Allowance Scheme (EAS) are proving to be successful. Sixty-five per cent of those who complete a *full* year on the scheme are still in business three years after start-up according to a new study, compared with the 61 per cent success rate recorded the last time the scheme was reviewed.

The EAS gives unemployed people basic advice in setting up in business and a £40-a-week grant for one year to help them get started.

A total of 340,000 people have started their own business under the scheme since it was launched in 1981. For every 100 businesses still trading at the three-year stage, 114 jobs have been created.

●

TWO MORE enterprise agen*cies have joined the Local Invest*ment Networking Company (LINC), the network of agencies formed to introduce potential *investors to small* businesses seeking capital, taking the total to 13.

The LINC service provides contacts between the local marriage *bureaux run by the agencies*. They are intended to fill the "equity gap" for businesses seeking up to £150,000.

The latest agencies to join the network are based in Sheffield and South Somerset and West Dorset.

LINC currently has more than £23m available from its registered investors. It hopes to recruit up to 18 agency members to give it *nationwide coverage*.

Contact David Wood, LINC, 4 Snow Hill, London EC1A 2BS, Tel: 01-236 3000.

●

DELEGATES from the Soviet Union and China will be among representatives of 22,000 young entrepreneurs from 25 countries who will meet in London from July 1-8 to discuss closer links between their national organisations.

The week-long meeting will be hosted by the British arm of the Association of Collegiate Entrepreneurs (ACE), an organisation of university-educated young business people, and the Young Entrepreneurs Network (YEN), open to all business people under *the age of 30*.

China and the USSR will be represented by officials from government and youth organisations – "entrepreneurial types rather *than entrepreneurs*," according to the organisers – but the other countries, including Australia, India, the US, Japan and a num*ber from Europe, will be sending* members of their own national equivalents of ACE and YEN. There are, apparently, plans *to* set up entrepreneurs' clubs in Soviet universities.

Contact Giles Redpath, ACE UK, Headbourne Worthy Grange, Winchester, Hampshire, SO23 7JX. Tel: 0962 882661.

●

PERFORMANCE guidelines for Britain's 300 local enterprise agencies have been issued by Business in the Community (BiC), the agencies' umbrella organisation. With increasing competition for public and private funds, the agencies are having to respond to demands from their sponsors to know what they are doing with their money.

The new standards will still allow an agency to choose performance measures which match its local *circumstances* but they do provide agreed definitions for terms regularly used in agency annual reports such as 'clients' *and 'inquiries received'*.

Contact BiC, 227a City Road, London EC1V 1LX. Tel: 01-253 3716.

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For details contact the Joint Administrative Receivers: Philip Monjack FCA and Peter S Dunn FCA:

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Tel: 01-262 7700. Fax: 01-723 6059.

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ARTS

Exhibitions/William Packer

Artful influence of the Japanese

"Madam Ranson au chat" by Maurice Denis

"Qu'est-ce que le Japonisme?" – what indeed. The question is put by the fascinating and beautiful exhibition "Le Japonisme" at the Grand Palais, Paris (until August 15, daily except Tuesdays), and the point taken, for no ready answer is offered, only the scope of possible answers extended.

We know that the visual art of Japan, and the graphic art in particular, exercised a profound formal influence upon the work of that comparatively small circle of advanced and experimental artists active in Europe in the later 19th century. We nod to Degas and Manet, to the bright, flat simplicities of van Gogh and the aestheticism of Whistler, before moving on to other generalities.

But other ramifying questions must now be admitted. Is that obvious influence of Japan a matter of style and manner; or of imagery and motif; or of the deeper question of an underlying philosophy? Is it all these things at once? And is interest alone, unqualified by philosophic sympathy or technical adjustment, nothing more than curiosity in the new and strange? What is Japanism and what merely Exoticism?

Artists are free to work as they please from what they see as useful and appropriate. The point made here is that influence need not be obvious. Manet's Zola of 1868 sits beside the Japanese screen and with a Kuniaka print behind him, but only the flattened space owes anything to the Japanese. The "profil perdu" of Degas is all Degas in feeling beneath her pert hat, and it needs the Utamaro geisha with her mirror and coiffure piled high to make the reference in the motif. Images cut off, simple, delicate silhouette, filigree pattern, a flattened space, a natural delight in a striking image: all these are pointed in the work of Monet, Pissarro, Fantin-Latour, Caillebotte, Bonnard Denis and many more. Whistler acknowledges the debt direct. There are gaps, of course, and I would have liked to have seen something of the Scottish artists Henry and Hornel who actually visited Japan in the mid 1890s

But when the enquiry is broad enough to take in, as it does here in parallel display, all the decorative and applied arts, from ceramics and jewellery to furniture and "haute couture," with contemporary works and artefacts of Japan besides, the possibilities become infinite. Perhaps, as Professor Takashina of Tokyo University rather plaintively puts it in his introduction to the handsome catalogue, we really must speak now "of Japanisms in place of Japanism."

A general cultural interest in the orient was nothing new, but the peculiar circumstances and suddeness of the opening up of Japan to western trade gave this particular manifestation its extraordinary concentration and force. For until Commander Perry arrived off Edo (modern Tokyo) in 1853 with his American squadron, Japan had been all but inaccessible and certainly mysterious for some two centuries and a half. There was a lot of catching up to do, and if the Japanese seemed the more inhibited and defensive, the west was immediately intrigued, as much by the exquisite refinement of the aesthetic that appeared to inform every object as by the often shocking romance and mystery of the recent past. The South Kensington Museum (our V & A) was actively collecting Japanese art by the mid 1850s.

Certainly the aestheticism that ran through the cultures of Europe like a virus from the 1870s on, would not have taken quite the forms it did nor have developed so quickly across so many disciplines without that wonderful chance of the Japanese example so new, exciting and ready to hand. The question now rises to challenge us that, without Japan, and the chance of history picking its moment with such fertile precision, broad and comprehensive developments such as the Arts and Crafts Movement and Art Nouveau might not have occured at all.

A small pendant exhibition at the Musée Guimet, *Japon: la tentation de l'Occident* (until July 25), takes as it were the other way in tracing the effects of western pictorial conventions in the use of perspective and, after the Meiji restoration, an increasing figurative naturalism. And while the earlier examples are possessed of a certain charming naivety and quirkiness, in the context of an established and secure encompassing culture, the later work begins to touch us with the sadness and uncertainty of a society on the point of change, fearful of the corruption and decadence of an honourable tradition. Which line to take: that of resistance and protection of the old way, or that of cautious development and change? There are many artists in Japan who will remain forever undecided.

★

Ukiyoe: Images of Unknown Japan, at the British Museum (until August 14), is an exhibition of Japanese prints, of extraordinary beauty, that presents an opportunity to see precisely the work of that tradition at its richest and most refined. Ukiyoe, the "Floating World" of pleasure of the Edo of the shoguns, is now indeed an unknown Japan; or perhaps lost is the better word, for it lingers the more poignantly in the imagination for having vanished so lately. Out of that era, to fix it for us in at least an imaginative reality came such artists as Utamaro, Hiroshige and Hokusai who must now stand among the great artists of the world. Their work, and that of their peers, requires a fuller treatment, but in the meantime the show should on no account be missed.

Shnitke at Aldeburgh

Max Loppert

The music of Alfred Shnitke is a main theme of two exciting British music festivals currently in progress – the Almeida and Aldeburgh. (What a pleasure, after the fallow years, to be writing about the latter in these terms again!) The multi-inclusive nature of the Russian composer's creative personality, the daring to "try things out" for so long prohibited from the Soviet musical scene, can lead him to produce great ragbags of music – bits and pieces of this and that flung together in a spirit as much hopeful as experimental.

But it can also produce the 40-minute austere power and sustained formal authority of the Fourth Symphony (1984), of which (in its chamber version) the London Sinfonietta under Oliver Knussen gave the first British performance at the Maltings on Sunday. This is Shnitke very much in the "old Russian" vein about which David Murray was writing yesterday. The unbroken progress of the symphony is devoted to a synthesis of various kinds of Russian religious chant (whether Orthodox, Catholic, Lutheran, Gregorian, or Jewish), and takes its atmospheric mode from the tolling-bell images purveyed by the amplified piano, harpsichord, and celesta at the start.

The Ivesian illusion that these forces are suspended in a natural juxtaposition is cunningly contrived in the harmonic material and in the canonic slow overlapping of the bell-statements. The work proceeds by variation and addition – new ritual chant themes are drawn out of the slow sway, four wordless voices insert their particular styles, new instrumental choirs add their colours, and a kind of Lisztian development-by-sequence builds the structure with daring simplicity. The very bareness and largeness of the symphony depend on immensely skilful contrapuntal weaving: at the point, near the end, when the bass of the solo quartet introduces a D-major Latin prayer, the full canvas of the work is glimpsed.

This is a brave and important composition: one would have needed to be at the Moscow première four years ago to gauge completely just how striking was its apparent message of spiritual reconciliation against the background of the current Russian political and artistic climate. But even in the beneficent setting of the Maltings the impact on the audience was evidently profound. The whole programme, which contained wonderful performances of Goehr's *Behold the Sun* aria and Schoenberg's *Herzgewächse* (soprano soloist Eileen Hulse), seemed to occupy itself with mystical concerns, and the symphony was its fitting climax.

Brief notes on two other opening-weekend concerts. The marvellous prospect of the meeting of voice (Adrienne Csengery), oboe (Heinz Holliger), and piano (Andras Schiff) at Bluthburgh Church on Sunday afternoon was marred by a crazily long and ill-planned bill of fare: a first half lasting an hour and a half devoted to slow, bare, emotionally intense music is unlikely to generate the proper audience concentration for Miss Csengery's extraordinary solo-soprano accounts of Kurtag's Attila Jozsef *Fragments* as its pre-interval item. Friday's chamber-music opening was a moving occasion – piano trios by Mozart, Beethoven, and Brahms played by Norbert Brainin, Martin Lovett, and Murray Perahia. The spirit of the Amadeus Quartet, so much a feature of Aldeburgh, was obviously and beautifully evoked, yet there was nothing stuffy or solemn about the playing. These were three fine chamber-music minds engaged on relaxed, civilized discourse, and in the Maltings there are few happier experiences.

The Almeida Festival of Contemporary Music/Islington

David Murray

Again the "Almeida International Festival of Contemporary Music and Performance" is upon us: a whole month (till 9 July) teeming with premières and foreign discoveries, superbly planned by Pierre Audi with Yvar Mikhashoff (and generously sponsored by Lufthansa in particular). There were 11 events this past weekend, and 18 – mostly electronic – are scheduled for the next in both the Union Chapel and the Almeida theatre.

Among the composers specially featured this time are those of the (middle-aged) Soviet new wave. On Friday James Wood's New London chamber choir and ensemble offered surprising insights into Alfred Schnittke. His eccentrically forceful, eclectic music has travelled well for several years, but we discovered a new side. His "uncompleted" *Der Sonnengesang* of 1976, after St Francis of Assisi, and the recent Concerto for chorus on sacred poems by the medieval Armenian Narekatsi, show a loving regard for the old forms of Russian musical piety, which aligns him more closely to Sofia Gubaidulina and Arvo Pärt.

Where Gubaidulina and Pärt are drawn to the impersonal, contemplative tradition, Schnittke recreates the fervent repetitions of communal chant. His St Francis setting is selfless and simple, with transparent overlapping voices coloured only by soft white-note clashes and a silvery, suspended accompaniment. Nothing in the muscular first movement of the *a cappella* Concerto would dismay any of those big Russian amateur choirs, either, and the poignant discords in its later movements are just one natural step beyond the Orthodox idiom.

Schnittke is recalling not only a Russia before the Soviet, but the popular devotional style which pre-dated the secular nationalism of the Five – despite hints here of Rakhmaninov, the Stravinsky of *Les Noces* and (perhaps by pure accident) devout Poulenc too. Back in 1966 some comparable impulse must have inspired Iannis Xenakis's fierce *Oresteia* which Wood's confident team revived on Saturday. To its chanting and crashing Xenakis has added a new "Cassandra" section, in which Spyros Sakkas switches between falsetto keening for the prophetess and a gruff interlocutory baritone, as well as twanging a psalterion for punctuation.

The work still strikes me as in need of theatrical filling-out, though it makes little room for that; the dramatic idea supplies a notional continuity which the music hardly sustains, for all its ritual protestations. But Wood made a good, threatening fist of it, and the audience joined in the final shivaree with whistles and rubbed balloons.

Also on Saturday, the conductor Richard Bernas and his Music Projects/London ensemble dealt superlatively well with a tough, rewarding programme. Two of the three first performances were memorable. Stephen Montague's furiously energetic but good-humoured Piano Concerto is tremendous fun, frankly in the line of Villa-Lobos and early, motoric Prokofiev. Mikhashoff, its dedicatee, revelled in torrents of repeated notes, and wielded fists and forearms on the keyboard while his usual courtly manner remained unruffled.

Colin Matthews' new Two Part Invention (not two-part writing, but two matched, dense movements) proved sternly impressive. Scored with brilliant resource for nineteen instruments, it begins and ends with shrill, flinty motto-music. The first movement fairly explodes with flashing *concertante* inventions; the second, led by an amplified cello (Alan Brett), develops a slow melodic line, branching and highly wrought, with eloquent, ever-increasing intensity. The performance was splendid.

The spindly pattern-making of Peter Graham's new *Time Scale* spent 13 minutes failing to fulfill its promise of "new and hitherto unheard sounds," but two deserving revivals made amends. Though Michael Finnissy's *Cötono* typically meanders toward no real conclusion, its reedy lyrical lines, tinged with East European folk-feeling, blossomed under sympathetic playing. Simon Holt's early *Mirrormaze* still makes a challenging listen, and the crucial horn duo was nobly sonorous. For intellectually demanding new music, the Music Projects team is a magnificent boon.

★

On Sunday evening at the Union Chapel, the Nash Ensemble (directed by Lionel Friend) presented three works, all premieres, by British composers of middle age and, as it were, middle style: Anthony Payne (born 1936), Nicholas Maw (born 1935) and Colin Matthews (born 1946). The works by the first two were commissioned by the group.

The title of Payne's 12-minute *Sea-change* alludes, according to the composer, to the way in which a piece can metamorphose during its composition and come to seem, if time is short (as for him it usually is) and pre-planning has not therefore been rigid, almost like a piece by somebody else. But he regards this as a creatively valuable experience; indeed, the seeming like somebody else may actually be a sign thet a truly original, and ultimately all the more personal, piece has been achieved.

Nothing in the way of aqueous musical imagery, at any rate, is implied; and with its languorous string harmonies and curlicues of sound for flute, the piece much rather conjures up motionless summer afternoons under a wisp of cloud in Platonic England. For once, Payne's known admiration for the music of Frank Bridge and Vaughan Williams is audible in his own music; though Ravel's influence should also to be taken into account, the pieca having been devised for the same forces – flute, clarinet, harp and string quartet – as his *Introduction and Allegro*. A Ravelian suppleness of construction combined with a discreetly English impressionism is one description of *Sea-change*; and the piece makes the perfect overture to a Nash Ensemble evening.

Maw's new work, written for both the Nash players and the American Da Capo Ensemble, which gave the world premiere in New York, is called *Ghost Dances*, and proposes itself as a cycle of short numbers doing for the dance what Schoenberg's *Pierrot Lunaire* did for the *Lied*. Maw uses five of Schoenberg's six performers, omitting a part for voice, but additionally including a few easy-to-play ethnic instruments with which the five intermittently underline the numerous multi-cultural folk-dance references built into the score. The dominant impression I received was not so much of complex expressive purposes as of a big chunk of brilliantly idiomatic, calmly traditional chamber music. The performance was dazzlingly good.

Matthews's work, *The Great Journey*, being heard for the first time in its completed version, 50 minutes long, also used some exotic instruments – such as an enormous set of drums arranged like a marimba – and had anthropological concerns. The travels and travails of the Spanish Conquistador Alvar Núñez Cabeza de Vaca as recounted in *Purchas His Pilgrimes*, and particularly his hard but humanising sojourn with American Indians, are Matthews's subject, but he has treated it merely by having a baritone (David Wilson-Johnson) run through the first-person narrative to a descriptive accompaniment supplied by seven players. The music is lively and colourful enough, but it does not necessarily create interest in the extensive narrative. To ensure that, Matthews would have had to put his text primarily in the service of musical form, instead of suffering the music to remain wholly at the bidding of the text.

Paul Driver

Alastair Muir

Daryl Back and Adam Henderson

Jazz and the Blue Kitten

Claire Armitstead

Ned Cox's *Jazz and the Blue Kitten* rounds off the Off Broadway season at the Soho Poly Theatre with a sentimental journey back to New York of the early fifties. It is set in a jazz dive where the blue kitten, a pubescent English runaway brought in cold and wet off the streets, falls in love with a visionary of the beat generation, and finds herself clasped to the expansive heart of a musical micro-colony too nice to be successful and too idealistic to give up.

There is Doc, the "blower," hung up on Charlie Parker, who drowns his fast regrets in coffee and cigarettes and is rewarded with a stash of one-liners that are delivered by Alan Cooke in a perfect monotone; there is the mercurial Jazz, renaissance man of new art, who walks at a run and beats out his poetry on a bar room detritus of empty bottles and used cutlery, and there is Mona (Maxine Howe) – the big, bossy momma of every drifter or aspiring jazzer that luck blows her way – who chivvies her "babies" into realising their potential and administers bourbon by the bottle.

A jazz suite, commissioned for the show from Jamie Talbot, pounds moodily away in the background and lays on the nostalgia of what is on one level a tribute to Parker. Yet although Alan Cooke toys briefly with the sax, live music is only momentarily allowed to intrude on the drama of what, on another level, is a simple teenage tragedy which yields in the closing bars to a schmaltzy affirmation of the power of love over a pile of monographed napkins.

The plot itself holds few surprises: from the moment the young girl Pete is carried into the bar it is clear she and Jazz will shack up and probable that it will end in disaster. It does: she gets pregnant and he gets himself killed after the showdown we always knew would come over her age. The billing and cooing of the two lovebirds borders on the claustrophobic towards the end of the first act, yet Catharine Arakelian's production gives two young actors a chance to exert a misty shine. Adam Henderson pulsates with energy as the charismatic Jazz, while Daryl Back's pertly endearing Pete emerges from a linguistic chrysalis over the evening – starting with the constipated post-war diction of someone weaned on dried egg and rounding into a fully-fledged, if somewhat battered, gum chewer.

Jephtha/Elizabeth Hall

Richard Fairman

The oratorio *Jephtha* was Handel's last work of any importance. For the South Bank's festival of End Games it was an obvious, not to say essential, choice: this work is one of those significant late pieces in which the composer is clearly aware his creative life was nearing its end and summons every resource of his musical language to impart his final, most profound thoughts.

In the case of *Jephtha* that feeling is compounded with the knowledge that the work was written as Handel was losing his sight. It is impossible to hear the great chorus "How dark, O Lord, are thy decrees" and not see in it the composer's own personal tragedy, as he leads his listeners down a seemingly endless tunnel in which all hope and light are slowly extinguished.

At Saturday night's performance with the Monteverdi Choir and English Baroque Soloists the end of the second act built up an impressive cumulative power. This is Jephtha's lowest point of despair and it was only to be expected that the conductor John Eliot Gardiner, quick as ever to appreciate a score's dramatic potential, would make much of it. The previous Handel performances he has given with these forces have been most distinctive and this was no exception.

In the work's earlier and less troubled pages he stressed the dance-like buoyancy of the Handelian style. Among several beautiful soprano arias Iphis's "Take the heart you fondly gave" took on a typically seductive lilt and was sung with ravishing purity by Lynne Dawson, the most captivating of the evening's soloists; while in his preceding aria the counter-tenor Michael Chance was very nearly as seamless in tone. Stephen Varcoe was the characterful Zebul.

With so much vocal excellence around it was unfortunate that Jephtha himself was outclassed. Not that Nigel Robson was seriously inadequate (he aimed valiantly to encompass the full range of this remarkable role) but in quality of voice his singing just falls short. A shame, too, that Della Jones was unable to appear as Storgè Otherwise a masterly performance of *Jephtha* is in the making.

FT Exhibition

The Financial Times Centenary Photographic exhibition will be at the visitor's gallery of Lloyd's of London until July 1. A private viewing for FT readers will take place on Wednesday June 15 from 6-7.30 pm. For tickets please ring Miss Kiki Chandaria at the FT: 01-248-8000 X 3331.

Maggie Teyte prizewinner

The 1988 Maggie Teyte Prize has been won by Swedish mezzo-soprano Gunvor Nilsson. She receives £500 and the opportunity to sing in the Maggie Teyte Prizewinners Recital, held every three years at the Wigmore Hall.

Gaynor Morgan was highly commended.

Arts Guide

June 10-16

OPERA AND BALLET

LONDON

Royal Opera (Covent Garden). Elijah Moshinsky's stark production of Macbeth returns with the original baritone, Renato Bruson, in the title role, Elizabeth Connell as Lady Macbeth, and Edward Downes as conductor. For what may be her farewell appearances here, Joan Sutherland, in rather muted form, leads a glossy, second-rate new production of Donizetti's Anna Bolena by John Pascoe. Richard Bonynge conducts, and the cast also includes Susanne Mentzer, Dimitri Kavrakos, and John Aler. In place of Jon Vickers, Anthony Roden takes the title role in the final performance of the Peter Grimes revival. Other cast members are Josephine Barstow (Ellen Orford) and Victor Braun (Balstrode), both superb. John Barker is an authoritative conductor of the Elijah Moshinsky production.

English National Opera (Coliseum). The company borrows David Pountney's Welsh National Opera production of Janacek's Cunning Little Vixen for its first Coliseum showings. Anne Dawson and Norman Bailey are vixen and forester and Mark Elder conducts. In place of the cancelled Ken Russell Tannhäuser, Fidelio is revived with members of the original Wagner cast. Also in repertory: Nicholas Hytner's wholly delightful new production of The Magic Flute, with Thomas Randle, Susan Bullock, Nicholas Folwell, and John Connell; and the sparkling 1985 Hytner production of Handel's Xerxes, revived with the superb original cast, led by Ann Murray and Valerie Masterson.

Sadler's Wells. Rambert Dance Company season. (278 8916).

PARIS

Thais (Opéra Comique). Massenet, combing religious feelings with sensuality, conducted by Lawrence Foster in Nicolas Joel's production (47 42 57 50).

Paris Opera. A 15th century Spanish tragi-comedy is the basis of Maurice Ohana's modern opera about a famous procuress. Palais Garnier. (47.42.57.50).

Théâtre de la Ville. Matsek and his Ballet Cullberg with two programmes from Sweden. (42.74.22.77).

NEW YORK

New York City Ballet (New York State Theater). Celebrating its 40th anniversary, the company has commissioned 20 works, including five with new scores, that punctuate the Balanchine, Robbins, Martins repertory with pieces by Lar Lubovitch and Paul Taylor, among others. Ends June 26.

Royal Danish Ballet (Lincoln Center Opera House). In its week-long visit, the company performs August Bournonville's classic Abdallah and Napoli. (362 6000).

WASHINGTON

American Ballet Theater (Kennedy Center Opera House). The fortnight's visit includes new productions of Gaîté Parisienne, choreographed by Leonide Massine, and Raymonda choreographed by Mikhail Baryshnikov. Ends June 26. (254 3770).

WEST GERMANY

Berlin, Deutsche Oper. Salome is a Wieland Wagner production conducted by Heinrich Hollreiser. Gounod's Faust will have its première this week. It is produced by John Dew and led by Nelly Miricioiu, Kaja Borris, Peter Seiffert, Robert Hale and Andreas Schmidt. Also offered are Don Giovanni, Madame Butterfly and the ballet Coppelia. (34381).

Hamburg, Staatsoper. Manon Lescaut has a strong cast led by Raina Kabaivanska, Rachel Joselson and Franz Grundheber. Le Nozze di Figaro is a co-production with the Salzburg Mozarteum. Die Meistersinger Von Nürnberg stars Bernd Weikl, Helen Donath, Kurt Moll, Gottfried Hornik and Klaus Konig. Il Barbiere di Siviglia rounds off the week. (351151).

Cologne, Opera. Tannhäuser stars Spas Wenkoff, brilliant in the title role. Ein Sommernachtstraum features Paul Esswood, Teresa Ringholz and Harald Stamm. Ariadne auf Naxos brings Daphne Evangelatos, Nadine Secunde and Scott Reeve together. John Pritchard conducts a cast which includes Barbara Daniels, Robert Bork and Lando Bartolini in Manon Lescaut. (20761).

Frankfurt, Oper. This week's highlight is Tosca, with Galina Savova, Luis Lima and Ingvar Wixell. Der Wildschütz is a well done repertoire performance. (25621).

München, Bayerische Staatsoper. Die Sache Makropulos stars Hildegard Behrens, Astrid Varnay and Kenneth Riegel. Polanski's production of Rigoletto has Patricia Wise and Juan Pons in the principal role. Also in repertory, Un Ballo in Maschera with Suzanne Murphy, Eva Randova and Wolfgang Brendel, and Daphne with Marjana Lipovsek, Julia Conwell and Kurt Moll. (21851).

Bonn, Opera. Kurt Rydl repeats his much praised performance in the title role in Don Pasquale. Norma is revived with Mara Zampieri, outstanding in the title role. Der Liebestrank is a well done Gian Carlo del Monaco production.

ITALY

Rome, Teatro Dell'Opera. Pier Luigi Pizzi's production of Rossini's Mose, conducted by Paolo Olmi, with Ruggero Raimondi, Ezio di Cesare (alternating with Mario Bolognesi), Simone Alaimo and Jenny Drivala. (46.17.55).

Milan, Teatro Alla Scala. Zeffirelli's production of La Bohème, conducted by Carlos Kleiber, with Mirella Freni, Peter Dvorsky, Wolfgang Brendel and Aldo Bramante. Roberto de Simone's production of Nabucco, conducted by Riccardo Muti with Ghena Dimitrova, Paata Burchuladze, Raquel Pierotti, Giorgio Zancanaro and Ezio di Cesare. (80.91.26).

Genoa, Teatro Margherita. Die Walküre, in a new production by Peter Werhahn, designed by Michael Scott and conducted by Christian Thielemann. The cast includes Peter Hofmann and William Pell (Siegmund), Peter Meven (Hunding), Anthony Raffell (Wotan), Mari Anne Häggander (Sieglinde) and Olivia Stapp (Brünnhilde). (589.329)

Naples, Teatro san Carlo. Orfeo e Euridice, with Lucia Valentini Terrani and Valeria Esposito conducted by Gianluigi Gelmetti, in Alverto Fassini's production, with sets and costumes by Pasquale Grossi. (417.144).

Florence, Maggio Musicale Fiorentino, Teatro Della Pergola. Three ballets by Ivan Marko to music by Maurice Ravel: La Valse, Daphnis et Chloe and Bolero, with scenery and costumes by Judith Gombar. (277 9236).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera with the Dutch première of Nixon in China by John Adams, with libretto by Alice Goodman. Also this week: the National Ballet with four Schumann pieces and the world première of new ballets by Nils Christe and Edouard Lock (Thur). (255 455).

Amsterdam, Stadsschouwburg. Michael Clark and Company in I Am Curious Orange (Mon). (24.23.11).

Amsterdam, Soeterijn (Linnaeusstraat 2). Music and dance from Taiwan (Tue, Wed). (568 8500).

Saleroom/Antony Thorncroft

Sporting interest revived

The horse paintings of Stubbs have been out of favour in the salerooms in recent months so Sotheby's put a low estimate on his portrait of "Bandy," a successful racehorse owned by the Earls of Grosvenor in the early 1790s. In the event it almost trebled its estimate selling in New York over the week end for $1,072,500, or £584,386.

British sporting pictures were very popular with American millionaires a decade ago. Then there was some loss of interest, but now it seems to be reviving. The auction totalled $6.3m,(£3.4m), with 15 per cent unsold. A view of the dead heat of the 1839 St Leger, for which John Frederick Herring Snr painted the horses and race-course while James Pollard looked after the spectators in the grandstand, made £348,190: a year ago a similar description of the scene, of the same size, sold in London for £374,000.

Munnings retains his appeal. "Silks and satins of the Turf" sold for £190,992 and a hunting scene, "His old demesne," of 1949, made £155,187.

In London yesterday Sotheby's had the usual problems with Indian, Himalayan and South East Asian art. There are few collectors, and problems over authenticity and provenance don't help. The morning session brought in £156,552 but with over 37 per cent unsold. A 15th century Tibetan silver figure of Virupa, an instructor in Buddhist doctrines of the 9th century, was within estimate at £13,200 while the French dealer Marco Polo paid £9,900 for a large Tibetan bronze figure of Sitatara.

Thyssen collection

The art world reacted with scepticism yesterday to reports that Baron Thyssen, owner of the finest private art collection in the world, after the Queen, was considering bequeathing it to the UK. In April the Baron, influenced by his Spanish wife, agreed to leave the collection to Spain, and plans for a new gallery, to be built in Madrid, are already well advanced.

The Baron, who has a home in the Cotswolds, might well have been amenable to an early approach from the British Government, but appeals from the Prince of Wales and from the Prime Minister in recent weeks have probably come too late.

Also the cost of building a museum, in the region of £100m, to house the collection, at suggested sites in Birmingham or Docklands, would impose a great burden on a restricted arts budget. It is possible that a compromise could be reached, with Spain having the 1,500 plus pictures for an agreed ten years, and then the UK taking possession of them. The Baron, who is 66, is determined that the collection should remain intact after his death.

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Tuesday June 14 1988

France chooses uncertainty

IF PRESIDENT François Mitterrand finds himself in the difficult situation of facing a hung parliament after the second round of the French general election, he can hardly complain. In a sense, he has been hoist with his own petard. Throughout the presidential election campaign and the first round of the parliamentary election, Mr Mitterrand made it clear that what he was looking for was an endorsement by the electorate of a broadly-based left of centre government, not an overwhelming victory for the Socialist Party and its policies.

Contradictory

It was not until the eve of the final round of voting, after the Socialists' relatively disappointing performance in the first ronnd, that the Presldent changed his tune and started to plead for a decisive Socialist majority in the National Assemhly. The appeal clearly came both too late and was perceived to be too contradictory. The French electorate may be fickle, hut it is not that gullible.

When the voters gave Mr Mitterrand an overwhelming victory in the presidential election last month, they were choosing a man and his personal view of how France should be run, not the political party with which he was associated. The message they sent to the Elysée Palace on Sunday is more difficult to decipher in detail, though its hroad implication seems to be that the voters followed Mr Mitterrand's advice in not giving any single party the means to govern entirely hy itself.

Unfortunately for the President, even as adept a political operator as he has proved himself to be over the last three decades cannot fine-tune a parliamentary election. No doubt, Mr Mitterrand would have liked the Socialist Party to have won an absolute majority both big enough to allow a stable government to be formed, and small enongh to achieve "the opening to the centre" which was his avowed aim. The actual result leaves him with much more complicated options, though cynics might say that that is just the sort of situation in which Mr Mitterrand's Florentine political skills can be used to perfection.

One of those options, a renewal of the *cohabitation* pact with a conservative alliance led by Mr Jacques Chirac's neo-Gaullist RPR party, is almost certainly out of the qnestion. The presidential election, with its campaign of mutual recrimination between tha President and his former Prime Minister, effectively put paid to such a possibility. Another option, an alliance between the Socialists and the Communists, who emerged with a greater number of seats than generally expected and who hold the balance in the National Assembly, would give a left-wing government the required parliamentary majority. But the conditions posed by the Communists, who would back the government only on an *ad hoc* basis and whose policy demands appear to be totally unacceptable to the Socialists, virtually rule out such a solntion.

There remains Mr Mitterrand's, and probably Prime Minister Michel Rocard's, preferred solution, that of doing a deal with the Centrists. The French Centre, however, is a very heterogeneous grouping, made up of diverse parties and personalities, not all of whom, by any means, are prepared to be weaned away from their alliance with the Gaullists. The prospect of former President Giscard d'Estaing joining, or even supporting a Socialist Government under a Head of State who ousted him from the Elysée in the 1981 presidential election, is an intriguing one, but it is hardly a recipe for stable government.

Presidential power

Nevertheless, it is difficult to conceive of any other practical solution than aome kind of arrangement between the Socialists and the Centrists, even if that involves no more than Centrist support for a minority Socialist government which has undertaken to carry out mutually accepted policies. Mr Rocard, a moderate and undoctrinaire Socialist, with free market economic ideas, would be the natural candidate to be reappointed as Prime Minister and leader of such a left-of-centre coalition.

Yet whatever the composition of the new government and whoever is chosen as Prime Minister, it is clear that France now faces a period of great political uncertainty, which could also have economic consequences in the longer run. In such a situation, it is probable that the power of the presidency would be substantially enhanced at the expense of parliament, a development which would reverse post-Gaullist trends and would not be universally welcomed in France or other European countries.

The lessons of Barlow Clowes

THE SOUND of slamming stable doors was certain to be heard before too long in the mounting Barlow Clowes affair. But yesterday's action by Lord Young, the Trade Secretary, is no less welcome for that. The scale and nature of what has happened, and the consequent strain on investor confidence, are such that the fullest and most decisive action is called for.

It is important, however, to be clear ahout tbe issues in this case. There are ohviously grounds for serions concern abont the Trade Department's handling of Barlow Clowes, not just recently, but over the period of four years since it was first licensed as a securities dealer. The independent investigation announced by Lord Young into the DTI should reveal how the firm waa allowed to renew its licence several times despite the concerns that had been voiced within the investment community. Moreover, Lord Young will be held to his pledge that the investigation will be conducted with full openness; it is only by laying the facts bare that confidence can be fully restored.

Weaknesses

It is less certain, however, how far the Barlow Clowes affair can be said to have exposed serious weaknesses in the UK's present financial regulatory system. Allegations of the firm's misconduct relate to the period prior to the implementation of the new Financial Services Act which created a regime to accompany the Big Bang in 1986. While the previous system had its imperfections with all the distressing conseqnences for investors whose money is now at risk, many of them have since been corrected.

Chief among those imperfections was the limited scope of the Prevention of Fraud (Investments) Act, under which investment dealers were licensed hy the DTI hut never subsequently monitored for performance or compliance. The process of licence renewal was one of rubber stamping, and in cases of suspected wrongdoing, the most the DTI could do under the Act was to withdraw the licence. Assets could be seized using powers under the Companies Act, but since regulation had a low priority in the DTI, these were seldom resorted to.

There are two ways in which the new regulatory regime instituted by the Financial Services Act (FSA) and elaborated by the Securities and Investments Board provides a stricter control and oversight.

The first is by setting higher standards for entry into the investment business. Firms have to prove to the satisfaction of their regulators that they have effective controls within their business and that their system of record-keeping is adequate. The firms have to meet these tests each time their licence is renewed.

Monitoring

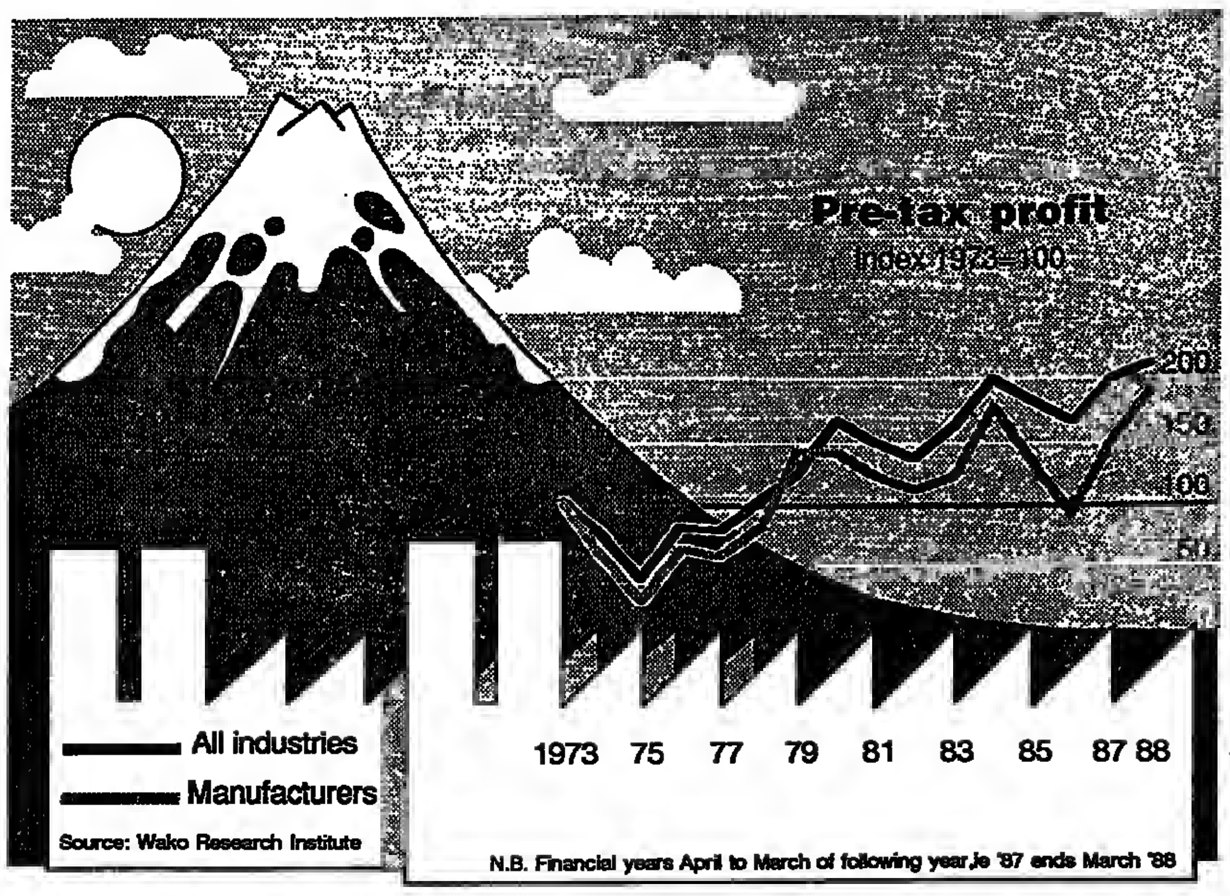
The second is through continuous monitoring of investment firms' conduct. Any firms which handle client funds – like Barlow Clowes – have to make monthly reports to their regulating authority. They also have to have regular audits of their systems for segregating their clients' funds from their own to prevent misappropriation.

Barlow Clowes did recelve authorisation under this regime, hut only under the interim arrangements pnt in place to cope with the rush at the beginning of this year when the FSA came fully into force. While this implies that other problem firms may have received temporary licences, the fact is that Barlow Clowes was forced to halt trading by the SIB and not the DTI.

No system of regulation can claim to be perfect. It would be foolish to suggest that the SIB, backed by the FSA powers, will prevent further incidents like Barlow Clowes. However, it is more likely to do so than its predecessors. This affair is a pointed rejoinder to those who have criticised the SIB regime for its cumbersome rules and detailed regulations – and who eased out its architect, Sir Kenneth Berrill. Were the FSA not there today, it is likely that Lord Young's inquiry would end up calling for one.

Stefan Wagstyl describes how Japanese companies have confounded the prophets of gloom

Turning hard times into good times



Source: Wako Research Institute

N.B. Financial years April to March of following year,ie '87 ends March '88

A YEAR AGO, bankers in Tokyo were privately making up lists of major Japanese companies which might go hust. The relentless rise of the yen had so badly shaken corporate confidence that there were fears for the future of some of the largest groups – even household names like Sony.

Today, in spite of a further 15 per cent appreciation in the yen, those worries have evaporated in a profit recovery which has astonished even experianced observers of Japan's post-war advance.

Companies have capitalised on a surge in the domestic economy to turn modest gains in turnover into huge leaps in profits through a combination of ferocious cost-cutting, rapid innovation and cut-throat marketing.

Sony, for example, increased its annual pre-tax returns by 76 per cent, citing, among other things, redneed costs of making televisions, a revamped range of Walkman personal stereos and expanded sales of computer hardware, its newest product line.

Overall, pre-tax profits of industrial companies (excluding financial groups) rose 19 per cent on average in the year to March. In manufacturing, after two years of decline, they soared by 62 per cent.

"We did not expect such a performance. We underestimated it. Everybody underestimated it," says Mr Naoya Takebe, a deputy general manager at the Industrial Bank of Japan.

There are exceptions to the general pattern of recovery, notably in the loss-making industry of shipbuilding. There are also companies which are being left behind in the race to exploit the home market. The gap between the best and the rest is likely to get wider in the next few months, especially if the yen rises further and if, as expected, the growth rate of the domestic economy slows down.

But the results should give foreign governments and companies, not to mention investors in the buoyant Tokyo stock market, a reason to review their assessments of Japan's industrial strengths.

Relations between Japan and its major trading partners seem bound to suffer. If a near-100 per cent rise in the yen against the dollar over three years has failed to curb Japanese industry's competitiveness – exports actually rose last year – then calls in the US and Western Europe for protectionism are almost certain to get stronger.

Two sets of reasons account for the turnaround. The first was the unexpectedly large improvement in the domestic economy. The second was the sheer ability of Japanese companies not only in maximising the gains made at home, hnt also in limiting the damage to exports.

A pump-priming government spending package announced last summer prompted domestic demand growth to rise in real terms from 4.3 per cent in 1986-1987 to 5.8 per cent in the year to March 1988. Higher sales led to higher output – so industry's costs per unit fell and profit margins surged.

As a result aome of the higgest increases in profit came in industries with a large proportion of their costs locked into expensive plant. Pre-tax profits at Japan Airlines, the flagship carrier, rose nine times on a 9 per cent rise in revenues. Fujitsu, one of the largest electronics groups, which saw pre-tax profits rise more than 2.5 times, said the higher utilisation of capacity played a major role in its recovery.

Meanwhile, industry profited greatly from a decline in the prices of raw materials and energy – due, ironically, to the yen's rise. Even after recent increases in world commodity prices, Japanese consumers are paying far less than they did three years ago – 30 per cent less at the end of March for polyethylene, for example, 60 per cent less for heating oil.

The Industrial Bank of Japan says cheaper imports made the biggest contribution to better profitability in steel, synthetic fibres and pulp and paper. At Oji Paper, the biggest papermaker, a Y7.6bn (£34m) saving on import costs exceeded a Y6.7bn increase in pre-tax profit to Y31.9bn. The company says the rest was passed on to the customer in price cuts.

Downstream manufacturers shared the benefits. At Hitachi, the electrical giant, lower material prices cut costs by 5.7 per cent – more than double the 2.6 per cent saving achieved through rationalisation.

Several other elements in the economy worked in industry's favour – interest rates fell to a post-war low thanks to the yen's strength; the 1987 annual wage increase was the smallest since the war; the Government ordered power companies to pass the benefits of cheap oil on to the customers and cut prices.

Meanwhile, the feared collapse in exports did not materialise. Exports faltered at the beginning of the 1987-88 financial year but recovered rapidly to finish 3.9 per cent up in volume terms, after a 3.6 per cent fall the previous year.

Some individual industries and companies were badly hit. Cotton spinners, which had enjoyed a mini-boom in 1986, suffered a 40 per cent fall in exports last year. At Nissan, the second biggest car maker, exports fell 17.7 per cent.

But overall the impact was less than expected thanks to the prodigious efforts of companies themselves. First, they rationalised – cutting costs and eliminating unprofitable lines. Nippon Steel, the largest steelmaker, achieved a turnround from loss to profit of Y177bn at the operating level, after reducing costs by Y142bn, including cutting its workforce of 63,000 by 3,350.

Omron Tateisei, the biggest maker of electronic controls for machinery, more than doubled its profits after weeding out unprofitable lines

Big groups squeezed their suppliers. Nissan said that of Y130bn cost cuts achieved last year, a full Y90bn was extracted in price cuts from component makers. Alps Electric, a leading electronic components manufacturer, hlamed pressure from its hig customers for a 25 per cent drop in pre-tax profits.

Meanwhile Japanese companies reaped the rewards of the technological lead they enjoy over many Western rivals, especially in electronics.

It was marketing ability that separated winners from also-rans among competing companies

Japanese production of some mature items – such as televisions and video recorders – declined in the face of rising output in other Asian countries; but production of new high-technology goods expanded – notably telecommunications and computer equipment. At Mitsubishi Electric, for example, sales of consumer goods fell 2.5 per cent, while sales of telecommunications systems and semiconductor products, rose 16 per cent. At Sony, the division making computer memory disks increased turnover 44 per cent to Y290bn, or 20 per cent of the group total.

The impact on profits is even larger than these figures suggest becanse the highest margins are earned on new generation products. Toshiba, for example, is understood to be selling one megabyte DRAM chips – the newest kind of computer memory microchip – for about four times its production cost, because demand far outstrips supply.

If anything, marketing was even more important than innovation on boosting short-term financial performance. In particular, companies made unprecedented efforts in the home market. The major car companies redouhled efforts to support dealers with loans and with thousands of staff sent out on secondment. Nissan spent Y40bn doing this – twice as much as before.

Consumer product industries benefited generally from the "Cima phenomenon" – that is a willingness among Japanese consumers to move upmarket – named after the Cima luxury car launched by Nissan last year.

Marketing ability separated the winners from the also-rans among competing companies. For example, while audio sales were generally flat, Sony increased turnover 10 per cent in this market, thanks to its skill in constantly renewing the Walkman portable hi-fi.

Matsushita Electric had a hit with a heavily advertised automatic breadmaker – a combination of food mixer and mini-oven. The Bank of Japan comments: "A good domestic sales network is crucial. Matsushita has great skills in this field."

Meanwhile, diversification helped some companies, particularly those operating in mature markets such as textiles where rivals from newly-developing countries are making huge advances. Toray, the top synthetic fibre company, raised pre-tax profits hy 123 per cent hy scrapping unprofitable export lines. As a result the sales of the group's non-fibre divisions, including plastics and chemicals, topped 50 per cent of group turnover for the first time.

For many companies, good operating results were only part of the story. More than half the companies listed on the Tokyo Stock Exchange boosted their profits with earnings from financial investments, or Zaitech.

Zaitech last year ran into a barrage of criticism after Tateho Chemical, a chemicals company, had to be rescued hy its bankers following speculative investments in bond futures. But for the great majority of companies, Zaitech meant raising low-cost funds and placing them into safe money market instruments.

For Matsushita, Honda, Sony and others, Zaitech was the icing on the cake. But at Sharp, a company which has suffered heavily from the yen's rise because of its dependence on exports, financial profits were more than two thirds of the pre-tax total of Y38.3bn.

However, if the 1987-88 results are a paean to Japanese industry, there are a few discordant notes. While some chronically unprofitable industries such as mining have been rationalised into insignificance, Japan still has a large and depressed shipbuilding sector. The Industrial Bank of Japan's Mr Takebe says: "The situation is still very bad."

Companies are compensating for their loss-making shipbuilding business by expanding into other markets. Mitsubishi Heavy Industries trebled profits thanks to sales of military planes and missiles. But Hitachi Zosen, for one, made losses for the third year running.

The problems of other industries are mostly overshadowed by their achievements. Nevertheless, there are companies which have failed to adjust successfully to life with high yen, particularly those with a very heavy dependence on exports. Not surprisingly, these groups are often weak in the home market.

Aiwa, the audio group which makes more than half its sales abroad, lost money for the second year in succession. In cameras, market leaders Canon and Nikon are squeezing second-rank producers including Asahi Optical, which failed to break even despite a 37 per cent increase in sales.

These companies' difficulties could well be magnified if the domestic economy slows in 1989 – as widely expected. The fear that the yen might resume its advance also worries exporters. Sony said in its annual statement that trade friction, the yen's appreciation and growing competition from newly industrialised countries would create "a more severe operating environment" in the current year.

Nomura says that so far companies have almost all enjoyed growing profits in the initial phase of recovery. "But now corporate strategies will effect results."

As a result, the shares of different companies could start moving more independently of each other, instead of reflecting sentiment in the market as a whole. Foreign stockbrokers in Tokyo hope so, because they put a premium on analysing the performance of individual groups.

Meanwhile, the companies themselves are backing their faith in their individual futures by huge increases in investment in plant and equipment. Average corporate profits are expected to grow by another 15 per cent this year. A Bank of Japan study published at the weekend said that business confidence was at its highest since 1979, when exports were soaring.

Perhaps their current optimism will prove as mistaken as last year's exaggerated pessimism. But the chances are that it will not.

Gauntlett's gauntlet

■ If Jaguar stays committed to sports car racing until 1990, and there seems no reason after winning Le Mans that it should not, its cars could be lining up against a few old rivals.

Aston Martin is taking a serious look at returning to sports car competition and chairman Victor Gauntlett said yesterday that it was quite feasible that it could be contesting the next Le Mans in 1989, and if not then, perhaps the year after.

Gauntlett is dependent on consent from the parent company, Ford, but the will is there and so is the car. The company had a project on the stocks which continued after Ford came in last October. The car will be completed and ready for testing next month, although Aston Martin is not yet committing itself to a full racing programme.

He is still cautious about Le Mans next year, but believes it is possible. He is talking about an eight figure sum.

"We want the car to be tested very thoroughly to take part in a three year programme. We are not interested in just getting one ont for a year's competition," said Gauntlett, who sounded almost as buoyed up as Sir John Egan at Jaguar's success.

Jaguar will not reveal the cost of the win. It is one of those unquantifiable areas. Who can say, for example, whether the firm would have ridden out the 1960s and 1970s if it had not been able to trade on an image cultivated on racetracks in the '50s?

Certainly Egan had Le Mans on his list of goals when he took over eight years ago and the success will prove a much-needed boost in the export market.

Gauntlett thought that a win by a British manufacturer was particularly fitting in a year which marks the 100th anniversary of the birth of Walter Bentley who made Le Mans his own with five wins during the 1920s up to and including 1930.

OBSERVER

The Bentley Growl

■ The 1931 take-over by Rolls-Royce Motors took the growl out of Bentley in favour of silent smooth running where horse power is referred to as "adequate".

But the spirit of the 1920s lives on in the small band of owners who take their vintage Bentleys to Le Mans every year. The idea of Bentley in competition again is not regarded seriously at Rolls-Royce Motors even if it does have a Bentley Mulsanne, named after the 250mph straight on the circuit.

For one man, however, a Le Mans Bentley is more than a pipe dream. Nik Cookson, managing director of Quadrant Films, a Putney-based video company, has assembled a group of like-minded individnals who he insists have the know-how to build a competitive sports car around the Bentley power unit.

Cookson is looking for £2½m to make the project viable for 1990, the 60th anniversary of Bentley's last win. He said: "The car has to be designed and the engine has to be developed, hut we have the expertise to do it."

Building a race winner may be too much to hope for, but he says he could produce a competitive car that could give Porsche and Jaguar something to think about. Official comment at Rolls-Royce Motors is that Bentley does not do that sort of thing any more. But it would be wrong to say that the idea has not caused some excitement.

"Ignore him – it's the aluminium talking."

History as spoken

■ Lord Armstrong, the former Cahinet Secretary, is one of a number of public figures who has agreed to give some of his recollections of office to the Institute of Contemporary British History as part of its oral history programme. The Institute, however, has not yet found the funds to match its ambitions.

Along with the National Sound Archive, the ICBH is applying to the Economic and Social Research Council for £100,000 for a three year programme which would include interviews with 300 people in public life who have been among the most influential in shaping post-war Britain.

A similar appeal is being made to the City to support interviews with key figures from industry and commerce.

The interviews will be subject to certain rules. Armstrong, for instance, has suggested that what he has to say should be embargoed for 15 years – half the period applied to the release of official documents. Yet even allowing for such constraints the exercise should be invaluable.

It was Armstrong who noted when he conducted the inquiry into the Westland affair only a few weeks after the event that the most striking fact to him was the fallibility of human memory. People could not recall whether a telephone call took place just before or just after lunch, or sometimes even the day of the week. How much more are they likely to get the chain of events wrong if they are not asked questions until several years later or they come to write their memoirs without full records.

Anthony Seldon, the co-director of the ICBH, is looking for contributions from industry and the City of about £2,500 per firm over a three year period. The Institute is based at 34 Tavistock Square, London WC1.

Party in Basle

■ One comes across few neurologists and four-minnte-milers in the corridors of the Bank for International Settlements in Basle. But there, as central bankers gathered for the BIS annual meeting, was Sir Roger Bannister.

The link of the former runner and current Master of Pembroke College to the BIS, founded after the first world war to deal with German reparations and now the main forum for the world's central banks, is through his wife Moyra.

Lady Bannister is the youngest of three daughters of Per Jacobsson, who for more than 20 years spanning the second world war was in Basle as economic adviser and head of its monetary and economics department. Jacobsson became managing director of the International Monetary Fund in 1956 and served in that position until his death in 1963.

The couple were in Basle for the 25th Per Jacobsson Lecture, organised by the Per Jacobsson Foundation, the chairman of which is Sir Jeremy Morse of Lloyds Bank.

The couple'a decision to attend the lecture on the next 25 years of the international monetary system was influenced by other factors. They were married in Basle precisely 33 years ago; it was also Lady Bannister's birthday.

Kafkaesque

■ We all know that entering the London underground nowadays no longer guarantees that you will swiftly reach your destination. Yet I was still a bit surprised to find the guard on the central line on Sunday reading Franz Kafka'a The Trial between stations.

Letters to the Editor

From Mr Dudley Keep.

Sir, I read with interest your excellent and thorough articles on the proposals for new country towns (June 4). The extent and form of housing in south eastern England is of great concern to us all. Before commenting on the unexpected intervention of the Department of Trade and Industry (DTI) in the public inquiry into the Bramshill proposal, let me emphasise that the south east counties are taking a realistic and positive approach to housing provision. They recognise the need to balance carefully the excessive demands of the builders with the needs of people, the economy, and conservation of our national heritage.

The deplorable and unprecedented intervention of the DTI at the planning inquiry has caused many people to question the inquiry's validity. It could be interpreted as the Government having made up its mind before the inquiry even opened.

What is even more galling is that because the intervention was in the form of a written submission by a third party, no opportunity will be given to allow the cross-examination of a DTI witness or the rebuttal of what amount – in my opinion – to mainly anecdotal arguments. Such intervention causes the whole appeal and public inquiry procedure to be called in question. It could have implications for any such large-scale greenfield development throughout south east England.

It is difficult enough for local councils and local groups of residents to contend with developers – who spend hundreds of thousands of pounds on these appeals – without the added knowledge that a Government department headed by a cabinet minister is on the side of the developers.

Dudley Keep,
Chairman, Planning and Transportation Committee,
Hampshire County Council,
The Castle,
Winchester, Hampshire

Hungry for homes

From Mr Stan Procter.

Sir, Planning, green belt, countryside and housing issues have caused Mr Nicholas Ridley, the Environment Secretary, to figure prominently in the news. The series of articles in your issue of June 4 are typical of many.

In spite of his apparently logical, market-orientated approach, Mr Ridley has made some strange remarks and done strange things. He says that "the 19th century railways would not have been allowed under present planning restrictions" – this to justify his proposal for hundreds of thousands more houses in England's south east countryside. Yet motorways, causing more environmental damage and congestion than railways, have been allowed under that present planning system.

He says the green belt will be inviolate, but "people must be allowed to develop wherever they want to go." Yet he has refused permission for development on two green belt sites in Kent, which the local planning wanted to allow because it accords with both Government and local planning authority policy of encouraging development in that sector, within the orbit of the M25 motorway, to take the pressure off the over-heated western sector. (The land has suffered dereliction from gravel workings, sewage works and other artefacts, although it would be wrong to accept that as a principle for a free-for-all in the green belt.)

Following Mr Ridley's announcement of his intentions, the result of these decisions will be to direct more pressure on more attractive countryside beyond the green belt. One of the consequences of statements by ministers about the release of land for development in the south east is a flood of planning applications, overloading both the local planning authorities and the Department of the Environment's appeals machinery.

So far as the present controversy about housing land, green belt and the countryside is concerned – especially as it relates to the south east and other regions – members of this society would be entitled to say "we told you so." It has been clear for years that departure from the principles of the Barlow Commission's report of the early 1940s – which, simply put, urged the dispersal of development pressures away from the south east – has produced today's problems. An over-congested south east, apparent to anybody using any form of transport, has resulted from failure to achieve Barlow's recommendations, and from the Government's insistence that the south east must be the economic engine which drives the rest of the UK. Local planning policies in the south east tried for many years to follow Barlow's thinking. They were eventually thwarted by over-riding Government policy, especially after repeal of the Distribution of Industry and Control of Office Development Acts.

H.G. Wells, the writer, said in 1902 that "by the year 2000 people in cars using specially built high speed roads will turn the whole of the south east into one vast suburb." Now that there is political controversy about future growth in the south east, and bearing in mind that there are already many millions of square feet of commercial development in planning permissions yet to be implemented – and the housing pressures which would follow – there may be a real prospect of comprehensive re-assessment of regional and national planning strategy. Perhaps this will demonstrate that the thinking of many local authority planners over the past 15 or 20 years has been in the general public interest – not professional or bureaucratic self-interest.

S.C. Procter,
District Planning Officers' Society,
8 Shelvers Way,
Tadworth, Surrey

From Mr John Hatherley.

Sir, Much of the derelict land Josephine Mernane saw through a train window (June 6) is owned by nationalised industries and local authorities, as well as by private owners watching it rise in value at a rate which few – if any – comparable investments could match.

The reason for neglect of this land is lack of incentive (that is, kick in the pants) to develop it. In their publication Inner City Waste Land, a recent study for the Institute of Economic Affairs, Chisholm and Kivell suggest taxation of such land – an idea long proposed by the London-based United Committee for the Taxation of Land Values (part of a worldwide organisation) – and long since adopted successfully by cities in countries as diverse as Denmark, Australia, New Zealand and the US. At last some British academics are discovering the use of this productive earth-digger.

John Hatherley,
16 Brighton Road,
Coulsdon, Surrey

Japan will come top in giving

From Mr Adrian Hewitt.

Your criticisms of the Japanese government's aid performance continue to be cast firmly in the past. Ian Rodger's report (June 10) gave some grudging praise, but Mr Rodger went on to say that Japan's ratio of aid spending to gross national product (GNP) "has remained ignominiously low," citing the figure of "only 0.29 per cent."

Let me remind you that the UK's official aid ratio has now slipped to 0.28 per cent of GNP, the lowest in our history, while Japan's is rising. Figures which the Organisation for Economic Co-operation and Development (OECD) will release later this month will show that Japan spent $7.6bn on overseas development aid last year, compared with Britain's $1.89bn. (This merely updates the ticking-off I gave you in a letter you kindly published on March 5 this year.)

But perhaps more significant is that the (American) chairman of the OECD's development assistance committee is persuaded that Japan will become the world's largest donor next year, overtaking the US. His staff are a little more cautious, but only over the question of *when* Japan overtakes the US, not whether. Moreover, what Mr Takeshita announces at the Toronto summit will be additional to these already healthy trends.

Adrian Hewitt,
Overseas Development Institute,
Regent's College,
Inner Circle,
Regent's Park, NW1

With an independent air . . .

From Mr John W. Deeley.

Sir, A 100 feet high rolled-up Financial Times flying over London may be completely in keeping with the 1980s image of such a leading international newspaper, but how is this 90,000 cubic feet creation perceived as helping to keep down inflation, or dispelling much of the hot air that pervades the money markets?

Would a giant free-floating Chancellor of the Exchequer balloon not be more appropriate?

John Deeley,
16 Downs Road,
Dunstable, Bedfordshire

Domestic politics in Singapore

From the High Commissioner of Singapore.

Sir, You suggested in your leader ("Backward steps in Singapore," June 6) *apropos* actions taken by the Singapore government against foreign publications and some domestic opposition that the government is intolerant of criticism or fears alternative viewpoints. The facts are that the government allows 3,700 foreign publications to circulate in Singapore, and some 20 registered political parties to engage in political canvassing, distribute pamphlets, organise political meetings and contest elections.

When the government acted against Time (the magazine's circulation has since been restored), Asiaweek, the Asian Wall Street Journal and the Far Eastern Economic Review, it did so because those publications refused the government the right of reply to their distorted articles or became partisan participants in the domestic politics of Singapore. Given Singapore's complex racial, cultural and religious mix, the government felt compelled to act against foreign publications which interfere in its domestic politics.

The government, moreover, has never suppressed constitutional opposition groups. As recently as May 27 1988, in an address to parliament, Prime Minister Lee referred to what he said as far back as 1968 in Singapore's then legislative assembly, namely that every Singaporean has a right to compete in the political arena and preach his political views, but that this should be for the purpose of working the system and not destroying it. Even when Singapore's internal security powers are used, as it was invoked recently against some Marxists, the government did so not because these elements were political opponents working within the system, but rather because this group by its own admission used para-church organisations and welfare bodies as a front for their clandestine objectives, which included the overthrow of a democratically-elected government by force.

The government recognises what stemming the free flow of information and suppressing political dissent would lead to. Prime Minister Lee, in his parliamentary address, drew attention to what could happen if the political opposition were "shut out." There would be an "inevitable reaction" and this, in turn, could lead to a situation where force becomes legitimised. The government does not want to see this develop in Singapore.

Abdul Aziz Mahmood,
2 Wilton Crescent, SW1

Problem with the pizza

From Mr Jonathan Gordon-Till.

Sir, Your article about President Reagan's visit to Moscow (May 31) stated that an American party in a US/USSR joint venture was receiving 50 per cent of the profits of pizza sales to passing Muscovites.

According to USSR legislation (the January 13 1987 Decree) the very most a western party can hope to profit is 49 per cent. And how would the US party propose to repatriate its percentage?

Jonathan Gordon-Till,
15 Oakthorpe Road,
Oxford

Shortfall provisions could be repealed

From Mr Robert Barnett.

Sir, Now that the prospective tax yield from company retentions exceeds that from company distributions, as highlighted in your management page (June 7), I wonder for how much longer companies must bear the costs of complying with the shortfall provisions of the close companies legislation?

These provisions, which compel companies to pay dividends, have been highly questionable in logic terms for some time. A particular problem has been that they discourage the formation of efficient modern company structures, because income from subsidiaries, consortia and associates is treated as investment income, and therefore liable to compulsory distribution.

Since they will now tend to depress the tax yield as well, it seems to be in everybody's interest that the shortfall provisions be repealed as soon as possible, perhaps by amendment to this year's Finance Bill. Companies could save on expensive professional fees and management time, and the Inland Revenue could re-deploy some of their most highly skilled people into areas which would be genuinely productive.

Robert Barnett,
Association of Independent Businesses, Northern Ireland Region,
Yorkshire House,
10 Donegall Square South,
Belfast,
Northern Ireland

Bringing cult into chaos

From Dr Neville Roussak.

Sir, The pivotal concept of chaos theory (book review, June 9), exemplified by the Butterfly Effect (that the fluttering of a butterfly's wings in Peking today could cause a storm over New York next month), was not unknown to Francis Thompson (1859-1907). He wrote in the Mistress of Vision:

"All things by immortal power,
Near or far,
Hiddenly
To each other linked are,
That thou canst not stir a flower
Without troubling of a star."

Neville Roussak,
71 Palatine Road,
Manchester.

'Almost certainly we have the highest rail commuter fares in the world'

From Mr Chris Bushell.

Sir, I suppose it should not be surprising to read the view of the Department of Transport's former director of economics (David Sawers, June 8) that British Rail's (BR) London commuter services "have few competitors, so that fares can be increased, and the quality of service decreased, without much loss of traffic."

But what a miserable prospect for the 400,000 or so daily BR commuters, and what an extraordinarily jejune comment in respect of public transport planning for a populous and wealthy city like London.

For the first time in a generation, commuting into London by BR is on the increase, putting severe strain onto parts of the network already pinched by recent cutbacks in resources. With so much new development concentrated in south east England, increasing pressure to construct many thousands of new houses, and roads like the M25 already overcrowded, there is clearly going to be substantial additional demand for commuter services in the future. We should be planning for this now, not talking about engineering a further decline in a system which many commuters currently see as barely adequate.

Already the long-distance commuter is a phenomenon attracting considerable management attention – witness the recent replanning of Western Region's entire morning timetable of trains from Bristol and south Wales to improve service for the 1000 daily peak hour travellers from Swindon to London. Some London suburban lines and several termini are at – or close to – their limits of capacity at rush hours. We may not be able to stop the huge influx of population to the south east, but it would surely be silly to force them all to drive to work.

We seem never to have grasped what is self-evident in other major cities the world over: that well planned rail investment (both capital and as fares subsidy) really can ease road traffic, reduce pollution, and help make urban living more bearable.

We already have what are almost certainly the highest rail commuter fares levels in the world. No doubt David Sawers would like to make the Guinness Book of Records by achieving nil subsidy to commuting, but Londoners will curse him for it, and the effects would blight the south east for decades.

Chris Bushell,
Editor, Jane's Urban Transport Systems,
Jane's Publishing,
149 Upper Brockley Road, SE4

From Mr E.R. Dring.

Sir, Mr David Sawers (June 8) cannot be accustomed to commuting on Network South East. If he were, he would not infer that the quality of service could be decreased. If it was, the service in many areas of the network would be non-existent.

I am not convinced, though, that privatisation is necessarily the right alternative. My experience on June 7 is a case in point.

Two consecutive trains from Tattenham Corner, either side of 7.30am, were cancelled. The next one terminated before reaching London. In the evening three consecutive trains between 6pm and 7.30pm from London to Tattenham Corner were cancelled.

This meant that a 55 minute journey effectively took two and a half hours. In addition, a train from Holborn to Purley at 1.50pm was cancelled. Over the previous three days at least one evening train within that time span was cancelled.

All these trains affected my travel, business and private appointments. This history of disaster may not be wholly typical but it is by no means uncommon. And British Rail do not even extend the courtesy of replying to letters or having a senior official available to deal with their customers.

I have no wish to buy a second car and have it parked at some British Rail station five miles from home where it can be vandalised. It is not an economic proposition. All I request from British Rail is a service that is reliable – and does not presume that the City ceases work at 5.30pm.

E.R. Dring,
Lynton,
42 The Avenue,
Tadworth, Surrey

FOREIGN AFFAIRS

Why Nato must grasp the nettle

Robert Mauthner says the West needs to regain the psychological advantage from Mr Gorbachev

THE OUTCOME of the recent Moscow summit between President Reagan and Mr Gorbachev has not been to the taste of some distinguished conservative commentators in the US and elsewhere in the Atlantic Alliance. Indeed, it is ironic that a President once widely criticised and ridiculed for his Manichaean view of East-West relations should come under fire in some quarters for what his detractors consider to be a naive espousal of detente with the Communist arch-enemy.

Whatever else may be said about Mr Reagan, he did not march into Red Square bearing the Western Alliance's head on a silver platter and waving a white flag. To use the words of Mr Zbigniew Brzezinski, former President Carter's National Security Adviser, it may arguably have been "a festival of feigned friendship", but a surrender it was not.

Despite Soviet pressure, nothing was given away on arms control and it remains doubtful whether a strategic arms reduction treaty (Start) will be signed while Mr Reagan is still at the White House. Mr Gorbachev got no change on his latest proposal for conventional troop cuts and on human rights he fielded a lot of brickbats.

If superpower relations have been put on a more stable basis as a result of the summit, that does not mean that either side has abandoned its fundamental positions or philosophy. "The Cold War continues. The clash of philosophy and of geostrategy has not been terminated. The issues that precipitated the post-World War Two collision have not been resolved," Mr Brzezinski thundered in a somewhat frantic post-summit diatribe, intended to stiffen the sinews of what he clearly considers to be a wilting Western alliance.

That such great emphasis on the deep divisions between West and East should have been provoked merely by the relatively warm personal relations established between Mr Reagan and Mr Gorbachev, and in the absence of any concrete agreements, is surprising. Yet the same view has been echoed, if in somewhat milder terms, by other spokesmen for the Atlantic Alliance such as British cabinet ministers and Lord Carrington, the outgoing Nato Secretary-General. The basic message at the Nato Foreign Ministers' meeting which has just ended in Madrid is what it has always been. Nato must not be lulled into a false sense of complacency by Mr Gorbachev's charm and persuasiveness. Western security can only be assured, and effective arms agreements negotiated, from a position of strength – witness the Intermediate Nuclear Forces (INF) agreement.

It is a formula which has proved itself and stood the test of time, so far at least. However, by dint of repetition it is beginning to lose its cutting edge, particularly when used in conjunction with arguments which can easily boomerang. *Perestroika* and *glasnost*, we are told, have done nothing to reduce military expenditure or the production of military equipment in the Soviet Union. But if the West can argue that it must negotiate from strength, so can the Soviet Union. Despite its high level of military expenditure, Moscow has, after all, signed the INF treaty, under which it is destroying many more warheads than the US and has accepted an unprecedented verification system to boot.

What all this goes to show is that Nato is fast beginning to run out of ideas and that, if it wants to retain the support of a broad consensus of Western public opinion at a time of palpable East-West detente, some imaginative initiatives are required. One might have expected, for instance, that the first Nato ministerial meeting to be held after the Moscow summit would have come up with something more than trite restatements of basic positions.

What, it may be asked, has happened to the "comprehensive concept" of arms control which is being drawn up by Nato officials and which is supposed to establish the priorities for future arms control negotiations? As the latest issue of the International Institute for Strategic Studies' "Strategic Survey" emphasises, there is a burning need for Nato to review the West's present options. In particular, the role nuclear forces are expected to play within overall defences should be examined, since the nuclear agreements already reached and other agreements on the stocks, including conventional force reductions, call into question the validity of existing concepts.

True, such a review risks stirring up a hornets' nest, given the disagreements between West Germany, which wants to proceed as quickly as possible to a reduction, if not abolition, of short-range battlefield nuclear missiles, and the US and Britain, which want to delay such negotiations until after the conclusion of an acceptable conventional forces pact. Yet, if uncertainty on such essential issues is allowed to persist within the Alliance, it will only be exploited by the Soviet Union for its own ends.

Equally striking is the Alliance's failure to counter effectively Mr Gorbachev's initiatives in the field of conventional weapons. However unacceptable his latest proposals might appear to the experts because of their emphasis on large troop withdrawals rather than on the reduction of tanks and artillery, in which the Warsaw Pact has an advantage of more than 3 to 1, they appeal to uninformed public opinion. The West is thus put on the defensive in the international propaganda battle.

Moreover, Nato can hardly ignore Mr Gorbachev's acceptance of the principle of asymmetrical cuts, the importance of verification and the detailed exchange of data as the basis of the conventional arms negotiations. Even someone as habitually cautious as Sir Geoffrey Howe, the British Foreign Secretary, has described this as "a new and possibly more constructive approach."

Conventional arms cuts, it should not be forgotten, are more of a Western than an Eastern baby, and should, therefore, be nursed accordingly. It is the West which has always been worried by the Soviet Union's supposedly overwhelming superiority in conventional weapons, the significance of which has become even greater for Western security after the INF agreement and will be further inflated by any strategic nuclear arms cuts.

Even if one accepts the argument that President Reagan was right to lay the main emphasis on human rights problems in Moscow, that does not mean that it is tactically desirable to link progress in conventional arms control negotiations to improvements in Soviet human rights behaviour. Yet that is exactly what the West is doing in the Vienna negotiations under the umbrella of the Conference on Security and Co-operation in Europe (CSCE). In adopting this position, the West is cutting off its nose to spite its face, for it has an overriding interest in getting the conventional arms talks off to a quick start.

For the Western nations the priority is not to cut the troop strengths of both sides by 500,000 men, as Mr Gorbachev has proposed, but to reduce substantially, if not to remove entirely, the heavy battle tanks and artillery from as large a Central European zone as possible. It is only in this way that the Warsaw Pact's capacity for offensive conventional action could be curbed, which is the purpose of the whole exercise as far as Nato is concerned. And, as Mr Leon Brittan has pointed out in his latest Policy Studies Institute discussion paper*, a Western proposal for a tank-free Central Europe would also have the advantage of firing the popular imagination as much as the Soviet image of a nuclear-free Europe has done.

The West does not have an infinite amount of time at its disposal for regaining the psychological initiative from Mr Gorbachev and attaining its desired objectives. If Nato waits too long before grasping the nettle, internal tensions, caused by US budgetary constraints on military expenditure and the resulting pressure for a greater European contribution to the Alliance, could put it in a position of weakness, rather than strength, in negotiations with the Soviet Union.

**Defence and Arms Control in a Changing Era, by Leon Brittan MP, Policy Studies Institute Discussion Paper.*

FINANCIAL TIMES

Tuesday June 14 1988

DTI orders investigation into its role in Clowes affair

BY OUR POLITICAL AND FINANCIAL STAFF

BRITAIN'S Department of Trade and Industry (DTI) is taking the unprecedented step of appointing an independent investigator to report on its own handling of the Barlow Clowes affair, in which an estimated £138m ($248m) is owed to 11,000 people who invested in Barlow Clowes International, the Gibraltar fund management concern run by Mr Peter Clowes.

Meanwhile, it emerged yesterday that of the £138m only £16m in cash and gilt-edged securities remain readily to hand.

A further £85m was lent out by Mr Clowes without proper documentation, interest rate agreements and on doubtful security to a series of companies controlled by Mr Clowes himself or his former business associates. Another £37m is at the moment totally unaccounted for, said Mr Michael Jordan, of Cork Gully, one of two London accountancy and insolvency firms acting as receivers and liquidators of Mr Clowes's two main companies.

Earlier yesterday, Lord Young, the Trade and Industry Secretary, announced the decision to appoint and independent investigation of the DTI's role, as part of a wide-ranging Government response to the collapse of the Barlow Clowes companies with £180m of investors' money under management.

The investigations involve the appointment of Mr David Ziman, a solicitor, and Mr Walter Hoffman, an accountant, as inspectors under Section 432 (2) of the 1985 Companies Act to look into the affairs of James Ferguson Holdings, the holding company of Barlow Clowes Gilt Managers.

Papers have been passed to the Serious Fraud Office and investigations are being carried out by the police.

In the Commons Lord Young and Mr Francis Maude, the corporate affairs minister, said the main priority was safeguarding the investors' interests but they could not comment on what might be recoverable and when.

Both ministers admitted that the DTI had received previous warnings about Barlow Clowes. In answer to questions Mr Maude acknowledged the legal point that, if the investigator found that DTI had been negligent it could be liable for damages.

The announcement of these investigations, and particularly the inquiry into the DTI's role, was welcomed in both the House of Lords and the House of Commons. MPs of the ruling Tory party praised the prompt action made possible by the Financial Services Act.

However, Mr Hugh Dykes, a Tory backbench MP, said it was a "shocking and disturbing story whose implications were potentially worse than the Guinness affair."

In the Commons, Mr Tony Blair, trade spokesman for the opposition Labour Party, argued that yesterday's "trenchant action stands in stark contrast with the years of gullibility and incompetence that preceded it."

Although Barlow Clowes' main activity until March 1985 of "bond washing", a tax dodge with gilt-edged stock, was outlawed in the 1985 Budget, the firm continued to offer an income tax free gilt-edged fund which "should have set alarm bells ringing in any halfway decent authority."

With that background Mr Blair demanded to know "how on earth a DTI licence was issued and twice reissued in 1986 and 1987 which gave the company a Government clean bill of health."

Mr Maude admitted that in 1985 doubts and rumours about the partoership had been reported to the DTI by the National Association of Securities Dealers and Investment Managers. After prolonged talks and the receipt of assurances an operating licence had been granted under the Prevention of Fraud (Investment) Act in October 1985, and renewed a year later.

In October 1987, "in the light of dissatisfaction by the DTI with the monitoring returns from Barlow Clowes, and of other information, it was decided to appoint investigators. The company's licence was renewed while this investigation was in progress."

Informstion obtained by the inquiry was disclosed in May to the Securities and Investment Board and led directly to the winding-up petition against Barlow Clowes Gilt Managers on May 27.

Barlow Clowes affair, Page 12; Editorial Comment, Page 22.

1973: Barlow Clowes & Partners formed by Mr Peter Clowes and another former IoS employee to deal in gilts for private investors.
1984: DTI approaches partnership to see if it should be licensed under Prevention of Fraud (Investment) Act, 1985. Rumours forwarded to DTI by Nasdim.
1985: Partnership becomes limited company under pressure from DTI.
October 1986: Licence renewed.
March 1987: James Ferguson Holdings (JFH) acquires Barlow Clowes Group for £10.2m ($18.5m). Peter Clowes becomes chairman and chief executive of JFH.
November 1987: DTI appoints investigators, but licence again renewed pending inquiries.
May 1988: SIB orders winding up of Barlow Clowes Gilt Managers, Clowes' main UK company.
June 9 1988: Joint liquidators appointed for Barlow Clowes International in Gibraltar.
June 10 1988: DTI appoints inspectors to investigate affairs of JFH and all its subsidiaries.
June 13 1988: Lord Young announces independent inquiry.

VW to strengthen South African operation

BY JIM JONES IN JOHANNESBURG

THE SOUTH AFRICAN snbsidiary of West German car maker Volkswagen is to spend R40m ($17.9m) in setting up a plant to produce machine tools for its South African production lines.

The company emphasised yesterday that it would finance the investment from retained earnings and local borrowings, involving no inflow of funds from the European parent.

The move, which comes as many multinationals have been divesting from the country, indicates VW's commitment to stay in Sonth Africa where it has nearly a quarter of the car market.

At present, the company relies on Japanese and European manufacturers for about 70 per cent of the machine tools needed at each model change, importing them for between R50m and R100m a time.

The West German Government has a similar stance on South African sanctions to that of Britain, avoiding formal curbs on investment.

VW in South Africa denies that the project is aimed at protecting itself from any change in this attitude, saying that planning started three years ago when trade restrictions were much less of an issue.

However, Johannesburg motor analysts say the industry is at risk, particularly if Japan restricts exports to South Africa. Significantly, VW says the plant will be able to supply competing manufacturers in addition to its own requirements.

In April, the most recent month for which figures are available, the company sold 4,288 Volkswagen and Audi cars, giving it 22.8 per cent of the national market and placing it second behind Toyota. VW has been gaining ground steadily on Toyota, which many car buyers believe may have its future in South Africa threatened by a tongher official attitude in Tokyo.

Earlier this year Mr Peter Searle, the local VW managing director, said the unit returned to profit by mid-1987 after three years in the red.

Several years ago, the company financed a big re-tooling for its plant at Uitenhage in the Eastern Cape by introducing funds from abroad through the financial rand market, the favourable exchange rate for inward investment.

Sharpeville Six appeal rejected, Page 6; Beyond the Freedom Charter, Page 24

Victor Mallet in Lusaka reports on ANC proposals for a post-apartheid South Africa

Beyond the Freedom Charter

AFTER MORE than two years of gestation and discussion, the African National Congress has drawn up a set of constitutional guidelines for the post-apartheid era in Sonth Africa.

The guidelines, to be published this year, respond to criticisms from the international community and from within the ANC that the organisation which commands the support of most South African blacks is dangerously vague about its plans for the country's future.

Hitherto the ANC and its allies have played safe by sticking to the hazy and somewhat Utopian ideals of the Freedom Charter of 1955, while foreign academics and South African state planners outflanked them with an avalanche of complicated federal constitutions.

"It was time to move a little bit further from the Freedom Charter and to say how it could be put into practice," says Mr Zola Skweyiya, head of the ANC's department of legal and constitutional affairs.

In the African context, the proposals drafted by Mr Skwcyiya and his colleagues on the constitutional committee would be remarkable if enacted and entrenched: they eovisage a non-racial, multi-party democracy in a unitary state, a Bill of Rights to protect individual freedoms and a mixed economy with independent trade unions.

"They are no more than guidelines," says ANC President Oliver Tambo, "but we think it's important to begin to focus the attention of our own people on the principal formulations of our constitution and what ground it would cover."

ANC leaders in exile, acutely aware that they are not the only South African anti-apartheid group even if they represent the main opposition tendency, shelved an earlier idea to produce a complete and detailed draft constitution. Such s document, they now argue, may have to wait for the overthrow of white rule.

Months of debate about the guidelines suggest that the ANC, founded in 1912, has learned something from the mistakes of African countries to the north which won independence from their white colonial masters in the 1950s, 1960s and 1970s.

ANC officials know abont human rights abuses in black Africa. They also know it will be difficult to fulfil the Freedom Charter's brave promises of free health care, free education and jobs for all.

They are particularly cantious about rapid nationalisation when black South Africans may not have acquired the managerial skills to run mines and banks, although the Freedom Charter says bluntly that "the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole."

No mentioo of the word socialism is made in the present drafts of the constitutional guidelines, Mr Skweyiya says, and it could be argued that the proposals represent only the internationally acceptable views of the black nationalists in the ANC.

Members of the South African Communist Party (its membership overlaps with that of the ANC) believe that the overthrow of white rule and the rise of a multi-party democracy are simply the first stages of a revolution leading to a one-party state.

Tambo: "no more than guidelines"

Among the proposals suggested by the ANC guidelines are:

- Multi-party democracy in a unitary state. The nature of the executive has yet to be decided. Local government is to play an important role. The state, while striving to create a national identity, would recognise linguistic and cultural differences.
- A Bill of Rights to protect individuals. Press freedom and freedom of religion would be guaranteed. But advocating racism or tribalism would be prohibited.
- "Affirmative action," or positive discrimination, would be needed to make up for the disadvantages currently suffered by South African blacks.
- A mixed economy. Some nationalisation of industry is regarded as inevitable by the ANC, bnt cantion is recommended. The right to private property would be guaranteed. Trade unions should be independent of the Government and workers would have the right to strike.
- Land reform, certain to be one of the most sensitive issues in a future South Africa, involving the transfer of white-owned land to blacks. Hundreds of thousands of South Africans have been forcibly removed from their land under apartheid.

ANC members such as Mr Skweyiya believe that the Zimbabwean guerrilla movements were caught unprepared by the constitutional negotiations at Lancaster House which led to Zimbabwe's independence in 1980, arguing that neither Zanu nor Zapu, the two main parties, had given sufficient thought to economic alternatives. The ANC guidelines, they hope, will allow them to take a firm stand in any similar talks about South Africa.

"The idea is to initiate a debate," says Mr Skweyiya, "on the form, the content and the direction of post-apartheid South Africa."

Europe 'too slow to cut taxes and regulation'

By Stewart Fleming in Washington

PRESIDENT Ronald Reagan yesterday chided America's European trading partners for failing to move as vigorously as the US in cutting taxes, regulations and government ownership, arguing that the pace of US change in these areas has played a key role in the growth of employment in the American economy.

In the speech, to the Atlantic Council in Washington, Mr Reagan songht to seize the initiative ahead of the economic summit of the seven leading industrial nations in Toronto at the end of the week. He said althongh all the indnstrial countries had had to cope with structural change in their economies and the decline in jobs in older manufacturing industries, the US had adjusted more successfully than others.

"There is one difference in the way we in America dealt with the decline. We lost the same kind of jobs other countries lost bnt, unlike those European nations that lag behind in cutting taxes, regulations and government ownership, we created new jobs in place of the old ones."

Highlighting one area where structural economic change is still needed and one which is expected to be a focus of vigorous debate at the summit, Mr Reagan added: "In no field do we all have more weeding to do than agriculture where subsidies cost the consumers and taxpayers of Europe, North America and Japan $200m a year."

But he indicated that the US will seek to avoid disagreements on agricultural polices at the summit by leaving the key issues to be resolved in the context of the Uruguay Round of trade liberalisation talks within the Gatt.

At the Toronto summit, he said, leaders of the industrial countries should instruct their ministers to ensure that by the end of the year "they must narrow down, and lay out specific goals, a road map and a timetable to the finish line" for the completion of the Uruguay Round.

The President also called for help for the economies of Afghanistan and the Philippines. "Let us join together to help restore the economies of two countries: one, the Philippines, a heroic democracy ravaged by Communist-led insurrection; the other, Afghanistan, a victim of brutal aggression," he said.

Describing a "new consensus" on the direction of economic policy Mr Reagan said that this had brought the economies of "America, Britain, Canada and so many other countries roaring back".

Foreign direct investment in Japan doubles to $2.2bn

By Carla Rapoport in Tokyo

FOREIGN direct investment in Japan more than doubled last year to $2.2bn despite the high cost of doing business there.

The amount invested by foreigners is still less than 10 per cent of the amount Japan invested overseas last year. However, the surge in the number of projects and the amount spent by foreigners in Japan last year is marked.

For example, in both 1985 and 1986 the number of direct investment projects by foreigners in Japan declined. Direct investment projects rose from 3,000 in 1986 to nearly 4,000 last year, with the total value, rising from $940m to $2.2bn.

US companies were the largest investors, accounting for more than 40 per cent of the total. Switzerland was next, with its direct investment in Japan jumping from $89m in 1986 to $169m last year. The Netherlands and West Germany followed, with the UK accounting for 2 per cent of the total with about $50m worth of direct investments in Japan.

The Ministry of Finance figures show that investments in manufactnring projects accounted for about two-thirds of the total. Of the non-manufacturing investments, trade-related projects were the highest, followed by service industries, and financial and insurance businesses.

This balance is greatly changed from years before, when manufacturing investments far ontweighed service-orientated investments.

Turning hard times into good times, Page 22

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	S	25	77	Malta	S	29	84	Rhodes	S	28	82
Algiers	-	-	-	Edinburgh	S	19	66	Manchester	S	21	70	Rio de Jo	C	24	75
Amsterdam	F	22	72	Faro	S	20	68	Manila	C	33	91	Rome	C	29	84
Athens	C	36	97	Florence	F	25	77	Melbourne	F	14	57	Salzburg	F	22	72
Bahrain	F	40	104	Frankfurt	F	17	63	Mexico City	C	26	79	San Francisco	C	21	70
Bangkok	C	33	91	Funchal	F	22	72	Miami	R	27	81	Seoul	F	29	84
Barcelona	F	23	73	Geneva	F	24	75	Milan	S	25	77	Singapore	F	32	90
Beirut	F	27	81	Gibraltar	F	18	64	Montreal	C	29	84	Stockholm	C	21	70
Belfast	S	21	70	Glasgow	S	23	73	Moscow	F	16	61	Strasbourg	F	22	72
Belgrade	C	27	81	Guernsey	C	15	59	Munich	F	19	66	Sydney	F	19	66
Berlin	F	23	73	Helsinki	R	16	61	Nairobi	C	21	70	Taipei	F	35	95
Biarritz	R	19	66	H Kong	F	33	91	Naples	F	25	77	Tangier	C	20	68
Bombay	F	30	86	Innsbruck	C	17	63	Nassau	C	29	82	Tel Aviv	S	27	81
Bordeaux	F	23	73	Inverness	F	15	59	New Delhi	S	39	102	Tenerife	C	24	75
Brussels	F	24	75	Islamabad	F	42	108	New York	S	24	75	Tokyo	S	25	77
Budapest	F	26	79	Istanbul	F	25	77	Nice	S	22	72	Toronto	F	20	68
B Aires	C	11	51	Jakarta	R	32	90	Nicosia	F	38	100	Tunis	S	31	88
Cairo	F	35	95	Jersey	C	18	64	Oporto	C	17	63	Valencia	F	23	73
Cape Town	F	15	59	Jo'burg	F	14	57	Oslo	C	25	77	Venice	F	25	77
Caracas	R	29	84	Lima	F	18	64	Paris	C	22	72	Vienna	S	20	68
Casablanca	F	21	70	Lisbon	F	20	68	Peking	S	35	95	Warsaw	F	17	63
Chicago	C	32	90	London	F	23	73	Prague	F	18	64	Washington	-	-	-
Cologne	S	23	73	Los Angeles	F	23	73	Reykjavik	C	8	48	Zurich	F	21	70
Copenhagen	S	20	68	Luxembourg	F	20	68								
Corfu	S	27	81	Madrid	F	16	61								
Dallas	-	-	-	Majorca	C	23	73								
Dublin	F	19	66	Malaga	F	19	66								

Readings @ mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US court opens way for bank expansion

Continued from Page 1

within the House Banking Committee which wants to prevent an expansion of banking powers and there appears to have been some deliberate delay to prevent legislation being considered before Congress breaks for the Presidential elections in November.

The SIA yesterday expressed disappointment with the Supreme Court decision. Mr Edward O'Brien, president of the SIA, added, however: "We are pleased that the Federal Reserve has erected a series of firewalls which are much more effective than those proposed in Senator Proxmire's bill to prevent excessive risks in the securities arena."

Firewalls are structural barriers set up between a bank and its securities affiliate to prevent conflicts of interest.

Yesterday, legal representatives of the banks were moving to have the court injunction lifted. This is regarded as a formality.

- Fernand St Germain, US House of Representatives Banking chairman, said he intended to go ahead with legislation to establish ground rules for banking activity in the US securities industry, Reuter reports from Washington.

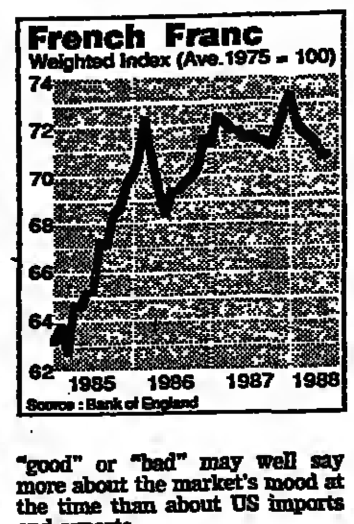
Mr St Germain said he will present the legislation proposals despite a Supreme Court decision not to review the Federal Reserve's granting of limited securities powers for banks.

"The decision ... does not change the need for the Congress to continue its effort to establish the ground rules for bank powers," he said.

THE LEX COLUMN

An uncertain cloud over Paris

Given that French equities have substantially outperformed the rest of the world over the last three weeks, with the CAC General index rising by 14 per cent to a new post-crash peak of 350 on Friday, yesterday's 1 per cent decline in the Paris bourse was surprisingly restrained. However one looks at the outcome of the French elections it is hard to argue that the prospect of a hung parliament is the sort of news that will fuel a further strong rally in a market that has already risen by 39 per cent in less than five months.



Indeed, it would be surprising if France's bond and equity markets did not weaken further over the next few weeks until the political situation becomes clearer. Yesterday's slight firming in French interest rates, combined with a softening of the exchange rate, could be a sign of things to come, if continuing political uncertainties threaten external confidence in France's economic management. The worst case scenario for the equity markets would be if President Mitterrand sacrificed his principles and did a deal with the Communists. Apart from compromising France's 1992 ambitions, it could have repercussions on the labour front, which would damage the country's reasonably robust economic performance.

The stock market is probably correct in not taking this threat seriously and is betting instead that a moderate left of centre government will eventnally emerge. However, until the outcome looks less cloudy, French share prices will have to depend on underlying fundamentals. The undervaluation relative to other European bourses, which was obvious at the turn of the year, is less stark now that the local market is selling on a prospective multiple of 12 and is yielding almost a full point less than the London market, for example.

Sterling

Sterling's gyrations yesterday bore the signs of a market which has its attention focused elsewhere. Both the rise above DM3.14 and its subsequent fall seemed more like nervous fidgeting than decisive action, despite the magnitude of the movements. Traders seem to agree on one thing only, which is that today's US trade figures will set the next trend. But as forecasts of the great number seem to be widening rather than converging, deciding whether the outcome is "good" or "bad" may well say more about the market's mood at the time than about US imports and exports.

In the meantime sterling's advance to DM3.14 suggests that further tightening of monetary policy has taken place. Last time the pound was deemed high enough at that level to prompt a cut in base rates from 8.5 per cent to 8. This time, everyone assumes that the pound would need to rise a good deal further – perhaps to DM3.18 or more – before such corrective action was taken. Yesterday's jump in producer prices and news of further increases in retail spending must serve to harden the official line against inflation, implying that it will do all it can to hold on to the latest rise in base rates. The danger of such a policy is that it reads like an invitation to buy sterling by holding out the happy combination of a strong currency and strong interest rates. The Government must be waiting for the trade figures with even more trepidation than the market.

Billingsgate

About five years after everyone agreed what an excellent idea the single property vehicle was, the theory is finally being put into practice with the arrival of Billingsgate City Securities on the London market. So far the result is not encouraging – the shares carry no CGT liability and arguably should trade at asset value, but Billingsgate is deemed worth 17 per cent less. Perhaps this is simple unfamiliarity with a new idea, or maybe a distaste for any issue previously quoted on the fringe Luxembourg exchange, where Billinsgate was listed while the regulators sqabbled and dragged their feet over the ground rules for the UK market.

With the tax and listing details all but sewn up, Billingsgate may soon be joined by others. In theory, at least, such companies fill a genuine need on both sides of the market: they should appeal to investors too small to invest directly in commercial property, or to those who want to build their own portfolio, and to larger institutions as a temporary home for funds within the property market. For developers, meanwhile, any new source of funds for large properties must be more than welcome.

Perhaps the main problem is dullness. It is impossible to make an exciting story from a company which consists of one existing building, and which by its very nature is prevented from doing anything at all. This may not matter if the assets are good enough, but if property companies use the new market for floating off old buildings they do not want, the whole thing might start to seem not such a good idea, after all.

US banks

The US Supreme Court's decision not to prevent US banks from underwriting a limited range of debt securities is the surest sign to date that the US banks are gradually winning their battle to be allowed to play on a level playing field alongside Wall Street's investment banks. The fact that US commercial banks could invest in local municipal revenue bonds for periods of 20 years, while they were not permitted to take the short-term risk of underwriting the securities has always looked ridiculous.

Indeed, were it not for a handful of blne-chip Wall Street brokers who are desperately trying to protect some highly profitable niches in the US securities industry, the banks would probably have been let in before now, and customers would have benefited from the increased competition. It will be interesting to see whether the commercial banks now try and exploit the logic of the Supreme Court decision and seek permission to move into underwriting corporate debt and equities. There are already signs of cracks in the formerly solid opposition of the Wall Street firms to the encroachment of the banks, but it is likely that they would mount a final, fierce stand if their bread and butter business was threatened.

FINANCIAL TIMES
Tuesday June 14 1988

American Brands sells off E-II businesses to Riklis

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN BRANDS, the US tobacco, spirits and financial conglomerate, has sold at an apparent profit most of the businesses which it unwillingly acquired three months ago in its $2.6bn "Pac-Man" defence against a takeover bid from E-II Holdings.

E-II is to be bought by an affiliate of Rapid-American, the privately-held master company of *Mr Meshulam Riklis, the leading* Wall Street financier who was involved in the Guinness share support operation during the takeover battle for Distillers.

Mr Riklis will pay $950m in cash and issue American Brands with preferred stock which is likely to be worth between $150m and $250m. In addition, the companies being sold retain E-II's subordinated debt of $1.5bn.

E-II, a sprawling deal-orientated conglomerate which was formed as a vehicle for the financial skills of Mr Donald Kelly, the former chairman of Beatrice *Foods, sold itself to American* Brands in February after mounting a hostile bid for AB.


Meshulam Riklis: Extending consumer-oriented interests

At the time, eliciting the AB offer of $1.1bn in cash plus $1.5bn in debt assumption for E-II was seen as a notable coup for Mr Kelly. However, yesterday's deal appears to vindicate the price paid by American Brands for E-II.

The businesses to be sold include the Samsonite luggage company and the Culligan water treatment operation.

American Brands will retain five of E-II's smaller operations, mostly in the hardware and office products industries, where the company aims to accelerate development of its "emerging *core businesses*."

These companies include Home Fashions, a manufacturer of window coverings, Waterloo Industries, which makes tool storage products, Aristokraft, which makes bathroom and kitchen cabinets, Twentieth Century Products, a plumbing supplier and Day-Timers, which is in the office products business. Mr Riklis already has extensive interests in consumer-oriented businesses via McCrory Stores and Fabergé-Elizabeth Arden.

Icahn tries to muster finance for Texaco deal

By James Buchan in New York

MR CARL ICAHN, the powerful New York investor who is battling to convince Wall *Street he can finance a $14.2bn* takeover of Texaco, says Citibank has told him the deal is "eminently do-able" if he can *find* a partner.

In a series of court depositions at the weekend, Mr Icahn *also said* he was talking to Canadian interests, including Gulf Canada Resources and Husky Oil, about one or other taking part in his $60-a-share offer for Texaco. Mr Icahn plans to pre-sell Texaco Canada to reduce the financing burden of his takeover.

The depositions were taken in a flurry of legal skirmishing as Mr Icahn advanced towards a showdown with Texaco management this Friday over his demand for five board seats. Texaco, which ridicules Mr Icahn's offer as impossible to finance, is seeking to prove that Mr Icahn broke securities laws in trying to bring other investors in on his audacious assault.

Texaco's shares fell $1½ to $50⅜ in early trading yesterday.

The depositions reveal that Mr Icahn tried unsuccessfully to persuade Mr T. Boone Pickens and, separately, the Belzberg family of Canada, to buy a crucial 4.9 per cent stake in Texaco currently held by Kohlberg Kravis Roberts.

Mr Icahn, who owns 14.8 per cent of Texaco, said that at talks with Gulf Canada at the end of May, the big Canadian group said it was willing to invest $4.1bn in the takeover in exchange for preferred stock in Texaco and the group's majority stake in Texaco Canada.

But Mr Icahn says he now believes that price is too low and the talks have been on hold since last Friday.

Daishowa pays C$631m for Reed paper interests

BY PHILIP COGGAN IN LONDON

REED INTERNATIONAL, the UK publisher, is to sell its North American paper interests to Daishowa Paper Manufacturing, the second largest Japanese paper group, for C$631m (US$511m).

The sale is part of Reed's strategy, announced in May, of concentrating on its publishing interests at the expense of its *manufacturing activities*. Agreement on a £600m ($1.1bn) management buyout of Reed's European paper and packaging interests is expected to be announced by the end of July.

The largest part of the North American businesses being sold is the Quebec mill which produces about 400,000 tonnes of newsprint per year. The group also manufactures packaging, chemicals and forest products.

Overall the North American paper group reported trading profits of £39.4m on turnover of £187m in the year to April 2, 1988.

Daishowa, which recently announced record pre-tax profits of Y14.5bn ($116m) in the year to March 1988, has been gradually expanding its North American paper interests. The Japanese group has 50 per cent holdings in two mills in British Colombia, Canada; it recently acquired a mill in Port Angeles, Washington, and it is building a greenfield bleached kraft pulp mill in northern Alberta, Canada.

In addition to paying C$565m for the business, Daishowa's Canadian subsidiary will be assuming C$66m of debt. The total consideration thus represents marginally more than the $600m Reed estimated it would *receive at the time of its annual* results last week and substantially more than the C$445m or so that analysts were expecting in May.

However, Reed's shares fell 5p to 408p yesterday amid fears that the group, which is likely to have about £700m in cash once its disposals are complete, will dilute its earnings through expensive acquisitions in the publishing sector.

GM plans radical changes in Belgium

By Kevin Done in Detroit

GENERAL Motors of the US, the world's biggest automotive concern, is introducing radical changes to working practices at its car assembly plant at Antwerp, Belgium, as part of a review of labour relations in Europe. The changes will make the plant GM's most productive in Europe.

Mr Robert Stempel, GM President and chief operating officer, said yesterday the system - three crews operating two 10-hour shifts a day, six days a week - would mean "phenomenal capacity utilisation". Output per employee would rise by 36-50 per cent.

Surprisingly, Mr Stempel ruled out any major change in GM strategy in the US for building up to 70 per cent of its cars from internally sourced components.

Ford, its biggest and currently much more profitable domestic rival, is only around 50 per cent vertically integrated.

Japanese producers have also traditionally relied much more on outside suppliers, but Mr Stempel said GM had no intention of significantly reducing its $30bn a year components business, of which $5bn represents sales to other vehicle producers.

In Europe GM is closing one of its two Antwerp plants to consolidate production in one plant while maintaining output at around 1987's level of 393,000 cars.

The changes are being implemented in parallel with the introduction this autumn of its new Vectra/Cavalier mid-sized car to replace the *Opel Ascona/Vauxhall* Cavalier. Mr Stempel said General Motors' Vauxhall assembly plants in the UK had improved productivity and quality levels, but "they are still a far cry from where the Belgians have agreed to go."

Merrill Lynch names Heimann as head of unit

By Dominique Jackson in London

MERRILL LYNCH yesterday announced the appointment of Mr John Heimann, vice-chairman of Merrill Lynch Capital Markets, as chairman of the executive committee of Merrill Lynch Europe/Middle East in London, making him the bank's chief executive responsible for the region.

Mr Heimann was US Comptroller of the Currency between 1977 and 1981 and served as New York State Superintendent of Banks for two years prior to that appointment.

Before joining Merrill Lynch in 1984 he was deputy chairman of Becker Paribas.

Essex Chemical rejects $144m Swiss approach

BY OUR FINANCIAL STAFF

ESSEX CHEMICAL, a New Jersey-based maker of sealants, bonding materials and adhesives, said yesterday it was holding talks with undisclosed parties interested in a possible acquisition of the company or one or more of its main assets.

The announcement followed the decision by Essex's board recommending shareholders to reject a $24-a-share tender offer from Gurit-Heberlein of Switzerland, valuing the company at $144m.

Essex *said its* board rejected the offer after considering numerous factors, including the opinion of its financial advisers, PaineWebber and Thomson McKinnon Securities, that the offer was financially inadequate to common stockholders.

In a Securities and Exchange Commission filing, Essex said it was also talking to several banks about transactions to maximise shareholder value. These transactions may include the sale of the company or its principal businesses, a financial restructuring of Essex, or the sale of its securities to a third party.

Mr John Polite Jr, chairman, said he was "dismayed that Gurit, our Swiss joint venture partner, would violate our trust by making an unsolicited partial *tender offer for Essex shares at a* wholly inadequate price."

He said that as a result of the offer, Essex was suing Gurit, alleging that the offer was "unethical and illegal and is being made in complete disregard for Gurit's fiduciary duties."

Nova breaks off Polysar talks

BY ROBERT GIBBENS IN MONTREAL

NOVA, the western Canadian energy group, has again broken off takeover talks with Polysar Energy and Chemical because Mr Robert Blair, Nova's chairman, would not agree to Polysar's asking price.

Mr Blair, after eight months of trying to get control of Polysar, Eastern Canada's largest primary petrochemical producer, left Toronto for Calgary saying he was "disgusted" with the abortive negotiations. He threatened to sell Nova's 25 per cent holding in Polysar.

Mr Blair went into the weekend negotiations in Toronto ready to improve on a C$17-a-share offer for the Polysar shares that Nova does not already own. The mechanism would have included acquisition of Polysar's assets to overcome a legislative limit of 25 per cent for any single Polysar stockholder.

But Mr Bernard Isautier, Poly*sar's president, demanded C$15.50* cash plus one half of a Nova share (equivalent to just over C$21) for each Polysar share.

This would have valued Polysar's business at nearly C$1.2bn (US$984m). Mr Isautier argued that Polysar's booming earnings in the current year more than justified the price.

But Polysar also demanded that Nova should buy all its preferred shares as well for C$620m. This proved to be a red rag for Nova.

After the negotiations broke down, Mr Isautier said he had *come down from an asking price* of C$25 per Polysar common share and he was disappointed by the Nova rejection. He had been willing to put the C$21 a share offer to shareholders had Nova agreed.

US court rejects Alberta Gas challenge

BY OUR FINANCIAL STAFF

THE US SUPREME Court has rejected a challenge by Alberta *Gas Chemicals, a Canadian meth*anol producer, to the US$7.8bn acquisition in 1981 of Conoco by Du Pont, the largest US chemical producer.

Alberta Gas, which had alleged violations of federal anti-trust laws, had claimed that the merger might substantially lessen competition in the US *market for methanol.*

The Canadian company accounted for about 7 per cent of the US methanol market in 1981. In the same year Du Pont was the largest domestic methanol producer with about 30 per cent of the market, while Conoco was a buyer of methanol and was considering plans to produce the *chemical.*

Alberta Gas' suit, which sought damages of more than C$250m (US$205m), charged that Conoco would have made larger purchases of methanol before starting its own production.

INTERNATIONAL COMPANIES AND FINANCE

Bourse chairman explains Paris reserve fund loss

BY GEORGE GRAHAM IN PARIS

Xavier Dupont: only one call for resignation

MR XAVIER DUPONT, chairman of the French stock exchange, yesterday met the heads of member firms to explain the FFr500m ($86m) trading losses recorded last year on the exchange's reserve fund.

The disclosure of the losses has weakened Mr Dupont's position, bnt only one broker is understood to have called for his resignation at yesterday's meeting.

Many firms are, however, extremely concerned both at the prospect of having to contribute to an emergency levy to top up the reserve fund, used to indemnify clients in the event of a member firm's default, and at the stock exchange's attempt to conceal the losses.

The Finance Ministry is monitoring the position closely, and Treasury officials believe that although the safety of the Paris stock market has not been impaired by the losses, an extra levy of as much as FFr1bn may be needed to restore the guarantee fund to satisfactory levels.

The exchange chairman's own broking firm, Dupont Denant, in which the Crédit National has takeo a stake, has itself been implicated in the incident, having carried out many of the loss-making trades on the Matif financial futures market.

A stock exchange statement yesterday explained that the firm had acted only as an intermediary, dealing on the instructions of a fund manager employed by the exchange who has since resigned. But some brokers were yesterday coocerned at the apparent contradiction with Mr Dupont's formal denial on Friday that his firm was in any way involved in the losses.

A further more detailed statement is expected to be issued this morning following a meeting of the stock exchange board.

The announcement of the FFr500m losses, which the exchange says were incurred in November and December as its then fund manager extended his positions in an attempt to reverse his losses, comes at an embarrassing time for the market.

The stockbrokers, which have just been transformed from officers swearing oaths to the Finance Minister into ordinary trading companies following a stock market reform law, are engaged in a delicate tug of war to retain power over the market. The banks, which have taken stakes in most leading brokers and will gradually be allowed to take full control of them over the next two years, are in some cases pressing for a faster rate of reform.

Bergen Bank to buy Nevi

By Karen Fossli in Oslo

BERGEN BANK, one of Norway's top three banks, has agreed to purchase Nevi, Scandinavia's largest finance and leasing company, from the Vesta insurance group for NKr330m ($52.5m).

Bergen Bank also agreed to cancel Nevi's NKr1.2bn outstanding borowings.

For Vesta, the deal is a way for it to shed a troubled subsidiary after an earlier deal with Sweden's Skandia group to buy a major stake in Vesta fell through last month.

The failure of the deal with Skandia forced Vesta to plan a NKr500m share issue. This issue has now been postponed. Vesta acquired Nevi in 1983 for around NKr275m.

For Nevi, the deal will give it access to banks funds at a time when it has been experiencing problems in gaining access to short-term loans. Bergen Bank says its has not yet decided whether to merge Nevia with its own finance offshoot, Fabin.

Fabin has assets of NKr3bn and a staff of 250. Mr Oeivin Fjaldstad, vice-president of Bergen Bank, hinted at a restructuring of Nevi which did not exclude a possibility of disposing of Nevi's foreign operations in Sweden, Denmark and the Netherlands.

Nevi has a staff of 900, of whom 600 are in Norway. In 1987 it had a loss of NKr505m compared with earnings of NKR4.4m in the previous year. At the end of 1987 Nevi had total assets of NKr14.5bn, of which NKr3.7bn was in cash and property holdings.

Vesta was recently criticised by the Oslo bourse for the way its 1987 accounts treated items like pensions and goodwill write-offs.

Crédit Lyonnais on buying trail

BY DAVID LASCELLES, BANKING EDITOR

Jean-Maxime Lévêque: getting ready for single EC market

CREDIT LYONNAIS intends to explore any opportunity which presents itself to acquire further networks of bank branches in Europe in advance of the creation of the single European Community market at the end of 1992.

Mr Jean-Maxime Lévêque, the chairman of the large state-owned French bank, told an analysts meeting in London yesterday that his bank was already negotiating one such deal. But it was too early to identify the country or give details.

Mr Lévêque said he believed that a strong representation in many countries was essential for success in the unified market. "Banks with dense networks of branches will have a strong competitive advantage," he said.

Crédit Lyonnais has already taken steps to expand its European branch network. Last year, it acquired Nederlandse Credietbank in the Netherlands, which gives it a total of 127 branches in that country with a 7 per cent market share. The bank is examining other countries, and has also studied the possibility of buying a building society in the UK, according to Mr Jean-Claude Goubet, the head of the bank's London branch.

Crédit Lyonnais had also proposed to exchange shares with Commerzbank of West Germany. But this had to be put on ice because of the postponement of plans to privatise Crédit Lyonnais, Mr Lévêque said. Commerzbank would have taken a 10 per cent stake and Crédit Lyonnais a larger stake in Commerzbank.

Mr Lévêque said the deal would have preserved the special long-term relationship of the two banks, but would not have prevented each bank from expanding into each other's territories.

Mr Lévêque predicted that it would be extremely difficult for banks to move into new country markets in the context of 1992 because of the strong entrenched position of domestic banks. "We are not frightened by competition. We consider we are already powerful in Europe," he said.

Crédit Lyonnais will be able to comply with the new capital requirements being prepared by the Cooke Committee in Basle. But it will need further resources to finance its planned rate of growth. It will need to raise between FFr3bn and FFr4bn ($690m) in the market. Mr Lévêque said his bank would spread its capital increases over time to avoid diluting its present capital to any serious extent.

Feldmühle Nobel bid delayed

BY DAVID GOODHART IN BONN

TWO NEPHEWS of the former owner of Feldmühle Nobel, Mr Friedrich Karl Flick, yesterday said they would not be making an offer for the company, following several days of stock market speculation that a takeover bid was imminent.

Feldmühle Nobel, the paper to explosives group which was once part of the privately-owned Flick empire, was floated on to the Frankfurt stock market in 1985. It was West Germany's largest public share issue.

Mr Friedrich Christian Flick and Mr Gert-Rndolf Flick appeared to have failed in their attempt to acquire a controlling stake in the company, blaming the upward movement in the Feldmühle Nobel share price. The shares were suspended yesterday at DM325 ($189).

It had been widely assumed that the Flick nephews would be prepared to offer up to DM350 a share for the company. Their accumulation of a large minority stake cannot be ruled out.

The Flick nephews may not be the only parties with an interest in the company. In just three days last week more than 25 per cent of the shares are understood to have changed hands.

In the face of increasing takeover speculation, the company has sought to make itself bid-proof by changing its voting structure. It will propose to the July 12 annual meeting that no shareholder be allowed over 5 per cent of all votes in the company.

Such a move would bring Feldmühle Nobel into line with many other West German groups, notably Bayer and Veba. But the move is likely to be resisted by some shareholders. The proposal needs the support of 75 per cent of shareholders.

Thomson to cut more jobs

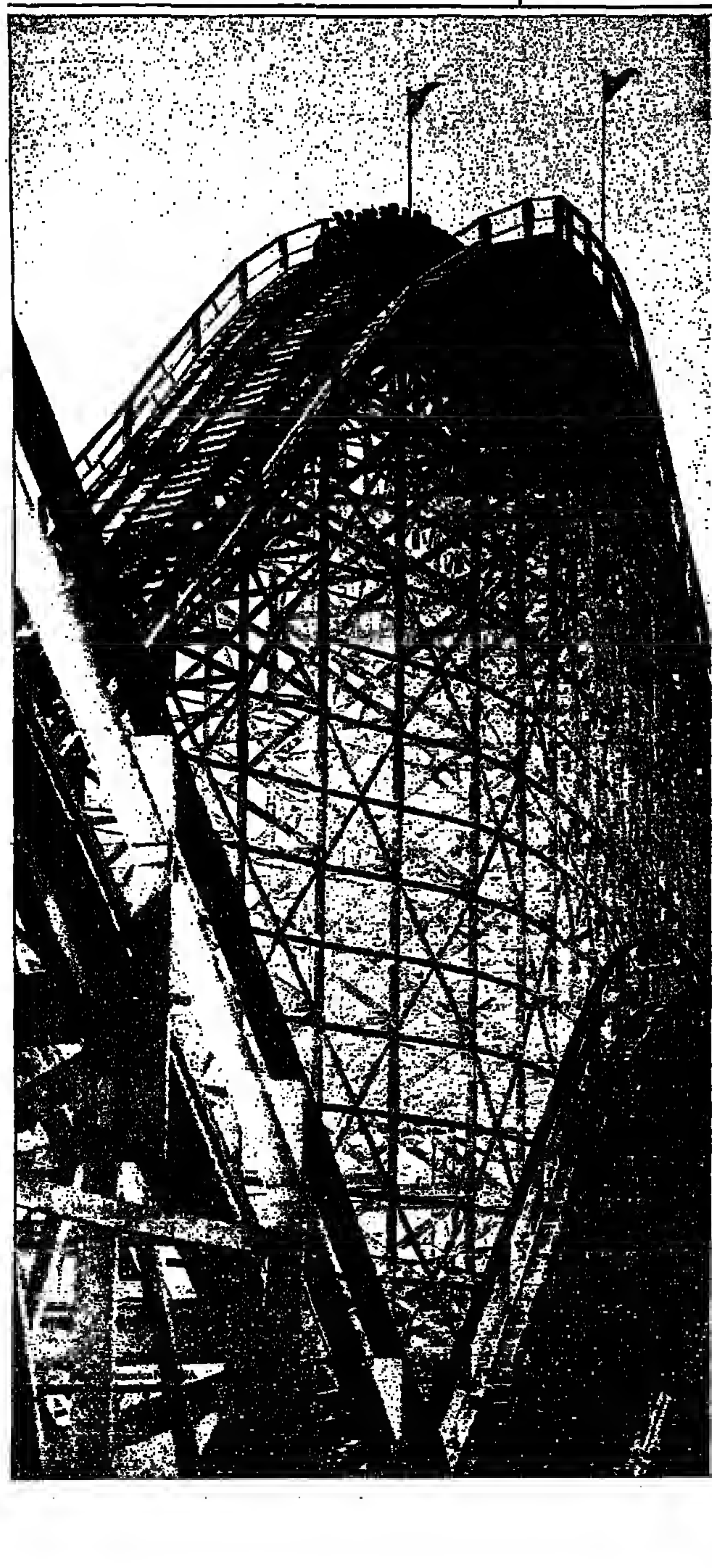
BY PAUL BETTS IN PARIS

THOMSON CSF, the French state-controlled defence and professional electronics group, plans to cut 1,025 jobs this year as part of its recently announced industrial redeployment and restructuring programme.

The company, which currently has about 49,000 employees, cut 2,492 jobs last year as a result of restructuring and the difficult international market for its defence businesses.

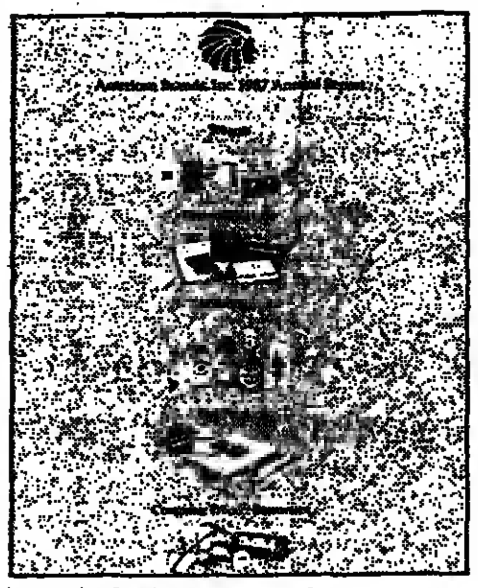
The latest round of job reductions follows the announcement last month of a broad-ranging industrial redeployment plan by Thomson CSF involving the creation of new industrial and service units at the same time as the closure and the reorganisation of a number of existing facilities.

About 200 employees protested outside Thomson's Paris headquarters yesterday against the proposed job rednctions, which the company announced to its unions earlier in the day.



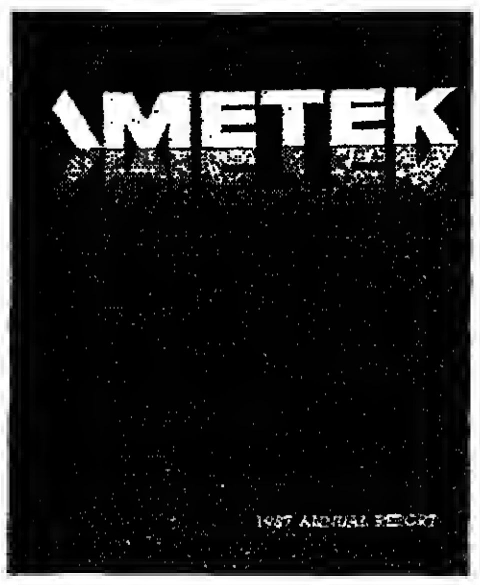
Annual Update 1

Part of 3 page series appearing on June 14th, 15th and 16th.



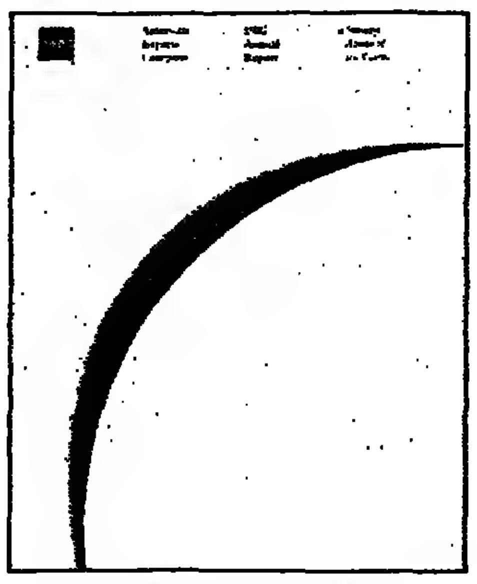
American Brands

American Brands is a worldwide holding company. 1987 sales from continuing operations were $9.2 billion and net income was $4.60 per common share, both records. In the U.S. American Tobacco's brands include Pall Mall, Carlton, Tareyton and Lucky Strike cigarettes. In the U.K., Gallaher sells Benson & Hedges, Silk Cut and Berkeley cigarettes. Other leading lines include Jim Beam bourbon, ACCO office products, Titleist and Foot-Joy golf products and Master locks.
Financial services consists of Franklin Life and Southland Life.



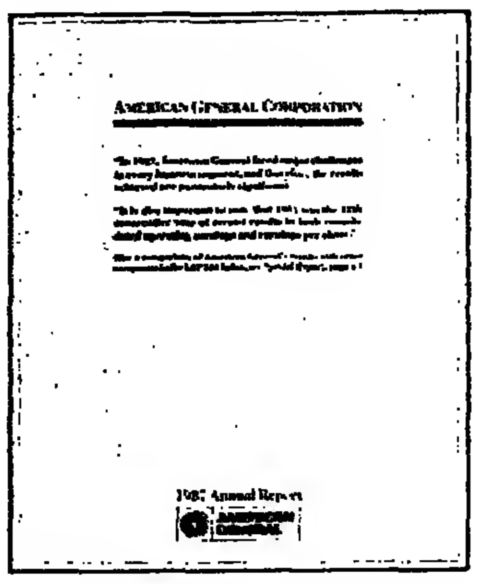
Ametek, Inc (NYSE/AME)

A manufacturer of high tech instruments, motors and materials for industry, AMETEK had steadily increasing sales last year, ending with a record fourth quarter and the highest sales in its history. This strong demand has continued into 1988 as new orders reached record levels and AMETEK announced a plan to spin-off 14 of its manufacturing divisions and - perhaps by mid-year - distribute the new corporation's shares to its stockholders.



American Express

American Express is a world leader in payment systems, travel, international banking, brokerage, investment banking, personal financial planning and asset management.
Consolidated net income for 1987 totaled $533 million. Travel Related Services increased profits 16%. IDS Financial Services' earnings rose a record 21%. Shearson Lehman Brothers acquired E.F. Hutton. American Express Bank Ltd. reduced LDC debt exposure 37%.

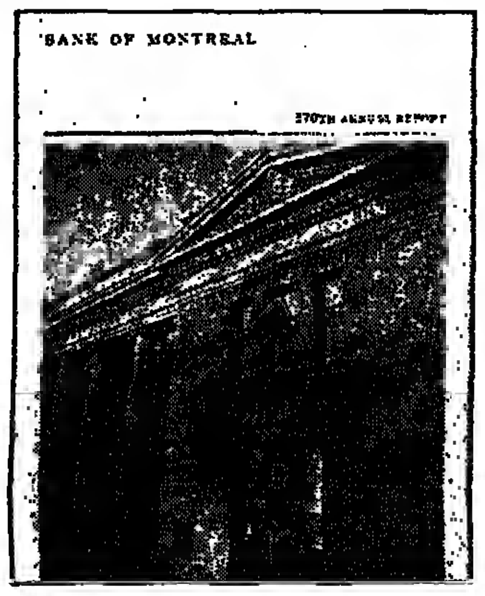


American General

American General's operating subsidiaries provide insurance and other financial services in all 50 states and Canada. At year-end 1987, assets were $28 billion and shareholders' equity was $4.4 billion. Founded in 1926, the company is headquartered in Houston. The common stock of American General is listed on the New York, London, and Swiss Stock Exchanges.

Ameritech

Ameritech is one of the nation's premier information corporations. The Ameritech Bell companies serve more than 11 million customers in Illinois, Indiana, Michigan, Ohio and Wisconsin. The Ameritech Enterprise Group provides cellular mobile service, directory publishing, systems software and lease financing. Ameritech's earnings in 1987 rose 4.4% to $1.19 billion.

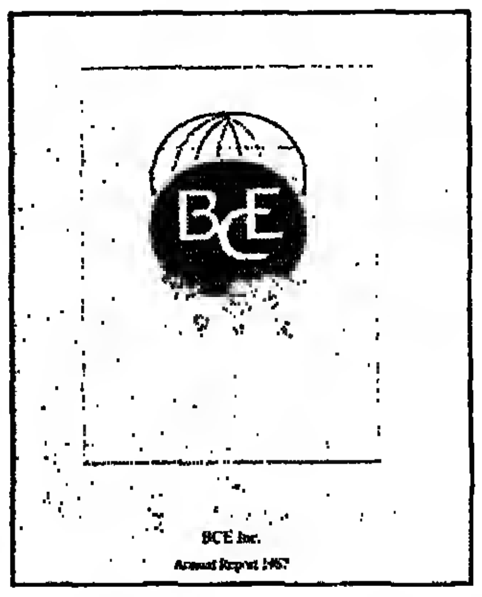


Bank of Montreal

Bank of Montreal is the third largest bank in Canada with assets of $84.2 billion.
In 1987, the Bank acquired a 75% interest in Nesbitt, Thomson Inc. a major fully integrated Canadian investment dealer which engages in the trading, underwriting and distribution of securities. Together with Nesbitt and the Bank's wholly-owned subsidiary Harris Bankcorp, Inc. of Chicago, Bank of Montreal offers a complete range of financial services to personal, commercial, institutional and public customers in Canada, the United States and abroad.
The Bank has paid dividends continuously since 1829.

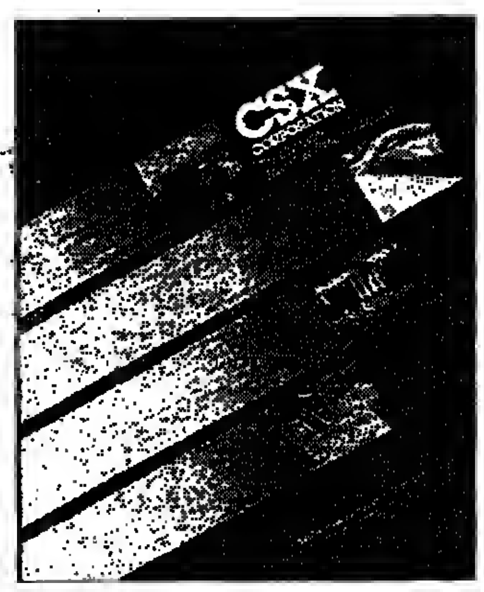
Bell Atlantic

Bell Atlantic Corporation provides a broad range of telecommunications systems and services to over 16m customers in six mid-Atlantic states and Washington, D.C. In addition, its Enterprises companies provide cellular communications, computer maintenance and financial services throughout the US, Canada and Western Europe.
In 1987, earnings per share were $6.24, up 6.7% from $5.85 in the prior year. Net income increased to $1.24 billion from $1.17 billion. The shares are traded internationally.



BCE Inc.

BCE Inc is a management holding corporation whose subsidiaries and associated companies include Bell Canada, Northern Telecom Limited, TransCanada PipeLines, BCE Development Corporation, BCE PubliTech and Bell Canada International
Net income in 1987 was CA$ 1.1 billion, and assets are over CA$ 26 billion. BCE is the most widely held company in Canada and is listed on stock exchanges in Canada, the United States, Japan and Europe



CSX Corporation

CSX Corporation is The Company That Puts Things in Motion, with an asset base of $13.2 billion backing worldwide operations in multi-modal transportation, energy, properties and technology.

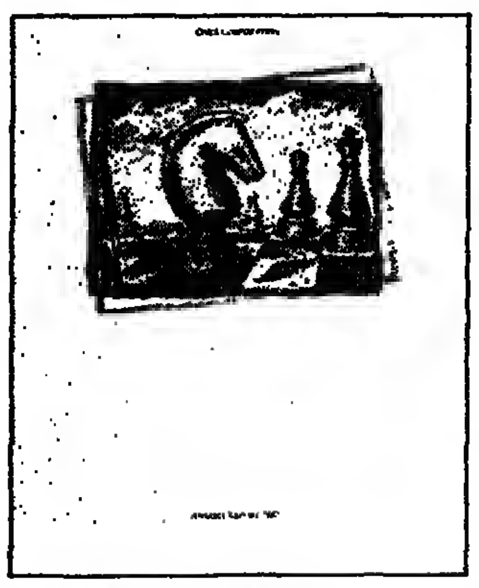
Chicago Pacific Corporation

"Making The Best Better"

Chicago Pacific Corporation, a major international home products company, features quality brand-name products by: Hoover, Rowenta, Pennsylvania House, Kittinger, McGuire, Gunlocke, and Brown Jordan. Worldwide sales in 1987 exceeded $1.4 billion, up 48%, and per share earnings increased 49%.

Federal-Mogul Corporation

Federal-Mogul Corporation, headquartered in Southfield, Michigan, is a manufacturer and worldwide distributor of products ranging from precision parts for the transportation, farm equipment, construction and manufacturing industries to aerospace and electronic components.
Shares of this billion-dollar corporation are traded on the New York and Pacific Stock Exchanges.



Onex Corporation

Onex Corporation is a diversified company whose controlled subsidiaries, acquired through leveraged buyouts, operate as autonomous businesses. These subsidiary companies include Beatrice Foods Inc., Norex Leasing Inc., Purolator Courier Ltd. and Onex Packaging Inc. in Canada and Sky Chef, Inc in the United States. At the end of 1987, these subsidiaries had combined annual operating revenues of $1.8 billion, assets of $2.1 billion and 20,000 employees. Each subsidiary ranks first or second in market share in its industry.
Onex Corporation has substantial cash resources for quality acquisitions in Canada or the United States.
Onex Corporation's Subordinate Voting shares are listed on the Montreal and Toronto Stock Exchanges. Ticker symbol: OCX

Part of 3 page series appearing on June 14th, 15th, and 16th.

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George Graham on the drive for size and overseas expansion which is characterising the run-up to 1992

French insurers jostle for position in merger race

THE MERGER of Compagnie du Midi and Axa, which will be put to a Midi shareholders' meeting next week, aims to create France's second largest insurance group and, with a range of other industrial and banking interests, one of the country's most impregnable financial conglomerates.

But the operation also symbolises the different currents which are moving the French insurance industry as it looks forward to the opening up of the European internal market: the drive for size, in order to compete on level financial terms with the largest British and West German insurance groups, and the search for overseas expansion, of which Midi has so far been the most spectacular French exponent with its £448m ($810m) purchase of Equity and Law in the UK.

Other leading Frencb insurers have also been looking overseas for substantial alliances.

UAP, tbe largest state-owned group, has been negotiating with a uumber of foreign insurance companies, including, it is believed, Sun Life of the UK. Groupe Victoire, which is associated with the Suez financial group, has also been reported to be in discussions with the UK's Royal group.

In the reinsurance sector, already by its nature an international market, the Frencb group Scor has embarked on the path of foreign expansion with the purchase of Vittoria Ri, the leading Italian insurer, giving it a foothold in the relatively undeveloped bnt fast-growing markets of southern Europe.

The Axa-Midi alliance also symbolises, however, the interest of these foreign insurers in the French market. Waiting in the wings, with a stake of 20.86 per cent in Midi, is the Italian Assicurazioni Generali, Europe's largest personal insurer.

Generali's pursuit of Midi has veered from courtship to siege, and has been marked with a series of procedural blunders and contradictory statements. But its general intention to increase its already significant position in the French market is clear.

Questions are now being raised in some quarters, however, over whether the race for "critical mass" in a panic reaction to the opening of the European internal market – the "1992 syndrome" – is the correct answer to the problems of the insurance sector.

In the first place, France insurance companies may be smaller than the largest British, West German or Swiss groups in terms of premium income, and they are even further behind the American and Japanese groups which are arriving in the European market. But they are, for the most part, financially solid.

Secondly, the merging of two insurance sales networks can create far more problems over how to reconcile computer systems, policy designs and overlapping sales agents than it solves.

COMPONENTS OF THE MERGER	Axa	Midi Insurance†
Gross premiums (FFrbn)	18.0	11.5
Capital base (FFrbn)	5.5	11.327
Net profits (FFrbn)	0.62	0.94
Funds under management (FFrbn)	42	63
Employees	8,400	5,000
Agents general (France)	3,500	1,300

† AGP + Equity and Law. Figures for 1987

Mr François Hailbronnar, chairman of GAN, the third largest of the three state-owned insurance groups, says: "Insurance is not like industry, you do not have a factory with lots of heavy machinery. It is therefore not at all sure that you reduce your costs when you increase your size."

Mr Heilbronner says it is natural for insurers, like any company, to want to grow, but he argues that the best alliances are witb companies which are not direct competitors.

This may mean partnerships with foreign groups – GAN has associations with Yasuda Fire & Marine in Japan and Continental Insurance in the US – or with Frencb companies in parallel businesses, such as security specialists or motor repairers whose services can be sold alongside insurance products.

Mr Bernard Beaupère, secretary general of Groupe Victoire, adds that although size can help a company, especially when it comes to taking part in overseas operations, he shares the view that economies of scale do not really apply to the insurance sector.

"I am uot at all sure that adding two sales networks together is enougb to make money," he says.

in the Axa-Midi merger, the problems could be particularly severe.

Other insurers say that Mr Claude Bebear, chairman of Axa, is generally viewed as the most effective insurance manager in France, with a highly motivated sales force which has considerable independence.

Rival insurers insist, however, that he has not yet completed the integration of the sales forces of Axa's component insurance subsidiaries.

Adding Midi will give him in a single group 4,800 agents general – the tied sales representatives who are tba most important means of distribution for French insurance companies, other than the mutuals who have largely adopted direct sales techniques.

In a recent government report, Mr Pierre Achard, a senior civil servant, warned that the rigid and legally entrenched agent general network was one of the prime structural handicaps of the French insurance industry. This was because it entailed greater costs and it deprived insurers of control of their distribution systems.

Mr Achard wrote: "The law and the texts have given the profession an official status whose principal effect, amoug other rigidities, is to give each agent general if not a monopoly, at least an almost absolute territorial exclusivity."

The agents general have their defenders, however. Mr Heilbronner says: "Distribution always costs money, whatever the system and whatever the country. The agents general have the big advantage that tbay are implanted throughout the country.

"They are very close to the clients, so they have a good after-sales service, which is what counts."

But Axa-Midi will have more than one agent general in five, a heavy network for a group which accounts for less than 10 per cent of gross premiums in France.

The large handicaps, however, may still lie in the regulatory and fiscal rigidities of the French insurance industry.

A comprehensive reform of the insnrance code, initially announced for last year, has not yet emerged, while the heavy specific taxation levied on French insurers – considered hy the Acbard report to be the most redoubtable problem – has yet to be addressed.

The stock market crash of last October and the resnlting increase in the vulnerability to takeovers of quoted companies like Midi have diverted attention away from the pressing problem of competitiveness.

It is not by accident that the mutual insnrance companies have increased their share of the motor insurance market hy around 10 percentage points in the last decade, or that the banks are making heavy inroads in the sale of life assurance.

Neither is it accidental thet French drivers are looking enviously across the frontier at Italy, where premiums are about 30 per cent lower than in France, or the UK, where the saving might be as much as 40 per cent.

The real Italian threat may not be Generali's appetite for acquisition, but the young French driver who insured his car across the horder in defiance of France's regulations, and whose case is being considered hy the European court in Luxembourg.

If be wins, 1992 may come home to the French insurance industry with a bang.

Capital investment by Japanese groups to hit 10-year high

BY CARLA RAPOPORT IN TOKYO

CAPITAL INVESTMENT by Japanese companies in the current fiscal year will be at its highest level for nearly a decade, according to the most recent survey of the manufacturing sector by the Bank of Japan, the central bank.

In its widely respected quarterly report on the nation's 649 leading manufacturers, the Bank of Japan says that capital investment will leap by 18.6 per cent in the year to next March compared with a drop of 2.2 per cent last year.

Mr Toshiuori Tanabe, the bank's associate adviser of research and statistics, says: "This is the sharpest rebound since 1980. It shows a strong optimistic feeling which comes from the sharp increase in profits and the expansion of the Japanese economy."

He says profit margins for the country's leading manufacturers are now more than 5 per cent, their highest level in the last 20 years.

"As a result, they have changed their attitude toward capital investment. Every sector is showing this increase, except shipbuilding and shipping."

The Bank of Japan predicts the economy will not slow down in the second half, as many economists have predicted.

Mr Tanabe adds that fears of an overheated economic growth pattern, or price inflation, are unjustified.

"Basically, prices will increase moderately, so the economy will maintain good conditions. The inflation risk is very low."

Life assurers in Japan cut policyholder payouts

BY OUR FINANCIAL STAFF

POLICYHOLDERS at Japan's leading life assurance companies have had their annual dividend payments trimmed back for the third successive year as the industry felt the pressure of lower interest rates as well as indirect effects from the October stock market collapse.

Premium income, however, grew by about 15 per cent at the largest of the mutual companies which dominate the sector. A uotable performance came at Chiyoda, which ranks behind the big six but lifted premium inflow by nearly half while also boosting its return on total assets to 8.74 per cent, the best in the group.

Two of the companies showed lower returns for the year to March and the others only modest increases. This was one reason they used to justify a cut in payouts which, in the case of three-year-old policies, were brought down by 0.5 per cent.

The growth in preminm income reflected a continuing expansion of their regular business as well as a sharp increase in sales of annuity policies to Japan's greying population.

Changes in the national fiscal structure brought a move away from five-year single premium endowment policies, dividends on which are now subject to tax, but a surge in 10-year contracts ahead of the unwinding in April of the Maruyu system of tax advantages for small savings.

The insurers suffered losses of more than Y1,000bn ($8bn) on overseas assets – Nippon Life, the industry leader, wrote down Y362.3bn on these in the year, although this was reduced from the previous Y511.1bn.

The write-offs include both foreign exchange losses and losses on valuation of securities. Across the sector, these were generally made good by disposals from portfolio investments.

This came at a time when fund managers at most of the life companies were said to have increased investments in stocks and bonds.

Nippon Life said, though, that most bf its foreign assets remained in bonds and foreign currency deposits, with foreign currency loans and stocks making up the minority.

JAPANESE LIFE ASSURANCE COMPANIES

	Total assets		Premium income		Asset yield	
	Ybn	%	Ybn	%	87-88	86-87
Nippon	18,165	+19.9	4,470	+13.2	7.16	7.09
Sumitomo	10,490	+22.1	2,826	+14.6	7.27	7.67
Meiji	6,796	+22.3	1,904	+17.6	7.34	6.97
Asahi	5,739	+17.1	1,406	+10.6	6.95	9.24
Mitsui	4,386	+20.3	1,190	+17.6	6.12	7.67
Yasuda	3,674	+20.3	1,077	+21.9	6.96	7.10
Chiyoda	2,603	+28.1	787	+44.8	8.74	7.91

Results for year to March

"The techniques change. The principles don't."

Combining capital strength with financing, advisory, trading, and investment skills throughout the world, J.P. Morgan continues to innovate to serve our clients better. Yet the principles that guide us in today's integrated, technology-driven financial markets haven't changed in 125 years.

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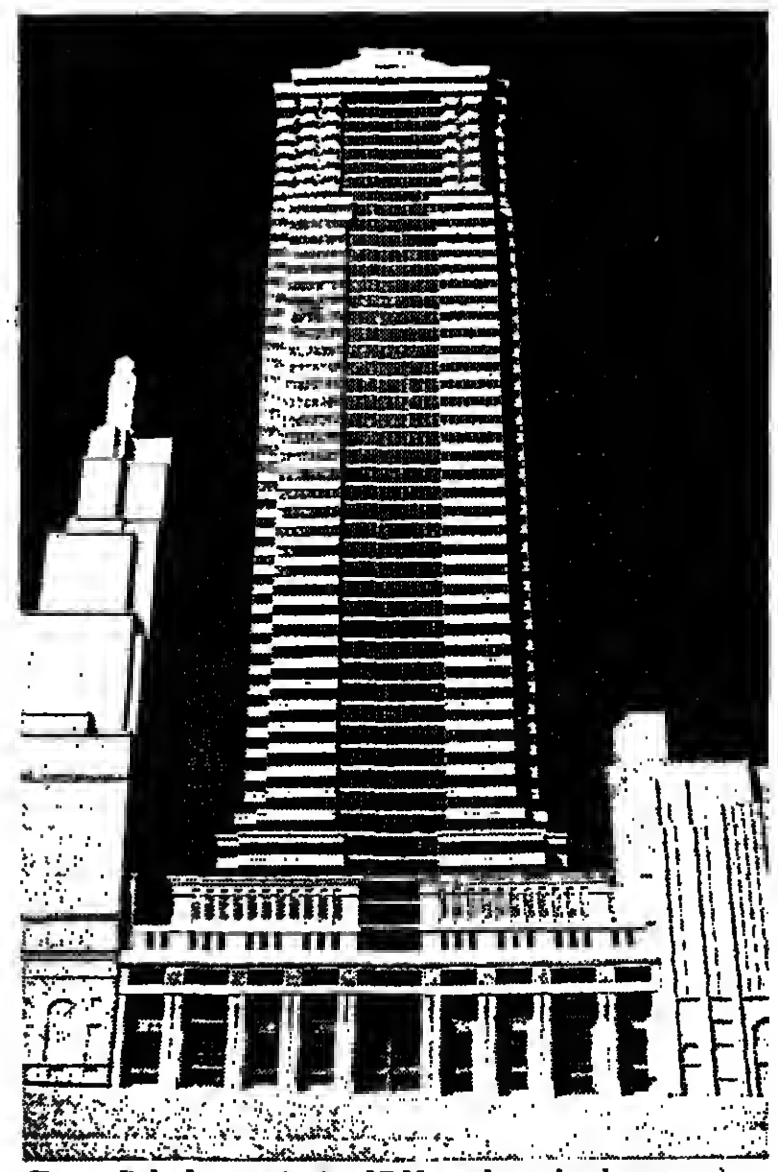


Change linked to continuity: J.P. Morgan's new headquarters rise on Wall Street two blocks from where the firm has had its principal offices for more than a century.

JPMorgan

Dollar issues give upbeat start to week's trading

BY DOMINIQUE JACKSON

THE EUROBOND market commenced the week on a decidedly upbeat note with two new dollar straight bonds emerging yesterday, although volumes remained light ahead of US seasonally adjusted trade data for April expected later today.

The US dollar's resilience and the buoyant tone of the Treasury bond market enticed a number of borrowers back into the Eurodollar sector last week, accounting for almost $1bn of new Eurodollar paper out of a heavy total of about $6bn in new debt issued on international fixed income markets.

The Eurobond markets took their firmer trend from the Treasury market, which was supported by a range of technical factors, predominantly a drop in the Commodities Research Bureau index following more than a week of steady gains.

However, dealers noted that retail investors, who declined to participate in the bond market's recent descent, were also absent during the latest rally, with technical manoeuvring by dealers still the dominant trading factor.

The strength of the recent rally is set to be tested this week by a range of economic statistics, starting with the US trade figures today. Current forecasts range from a seasonally adjusted deficit of between $12.2bn and $13.2bn. May data on US retail sales, industrial production and housing starts are due later in the week.

Most sectors of the Eurobond market finished the day marginally firmer taking a lead from improved sentiment in New York where easier oil prices and renewed optimism about the inflation outlook supported US government bond prices.

Encouraged by the warm reception met by last week's crop of new dollar straight bonds, two borrowers who had been biding their time to issue came to the Eurodollar market yesterday.

Banque Paribas Capital Markets brought Société Nationale des Chemins de Fer Francais to the 10-year maturity sector with a $150m bond carrying a 9¼ per cent coupon and priced at 101¼.

The coupon on the SNCF deal lost some attraction when compared with the 9⅝ coupon on the

INTERNATIONAL BONDS

day's other dollar straight, another 10-year deal, this time for Belgium. Credit Suisse First Boston was the lead manager on the issue which was priced at 101⅛.

The bond saw good demand, fuelled partially by improved perceptions of the borrower's credit and the deal was well bid at a discount of 1.65, comfortably within its total 2 per cent fees.

In equity-linked deals, Mitsubishi Petrochemical issued two deals, one in US dollars and one in guilders.

Tha $200m bond with equity warrants was led by Nikko Securities (Europe). The coupon on the five-year deal is indicated at 4¼ per cent and the issue was bid at 101 against its par issue price, a better level than many recent offerings in the sector.

A glut of new paper in recent weeks depressed primary market prices with some new offerings bid below par, unusually low for Japanese equity warrant deals which usually come to the market bid at substantial premiums.

The company's Fl 150m issue in Amsterdam, led by Amsterdam-Rotterdam Bank, was the first equity warrant deal in that currency by a Japanese borrower since July 1987. The coupon on the five-year deal is indicated at ¾ per cent and the issue was bid at 100¼ compared with its par issue price.

Nippon Credit International brought Swedbank to the Euroyen sector with a five-year Y5bn step-up coupon deal. The issue is priced at 101⅞ and for the first two years the coupon will be 2⅞ per cent, rising to 6.4 per cent thereafter.

In West Germany, the Bundesbank's announcement of an unchanged 3.25 per cent rate on its latest repurchase pact lent further support to a market buoyed by New York's firmer trend although volume remained low. Domestic bond prices ended the day around ¼ to ⅛ point better while Euromark prices saw smaller gains.

The National Bank of Hungary made its second foray into the West German capital markets this year with a DM200m six-year deal carrying a 6¼ per cent coupon and priced at 100¾, led by Deutsche Bank. It was bid at a discount of 2 – a consequent 60 basis point (hundredths of a percentage point) yield premium over comparable domestic paper.

BHF-Bank brought US industrial consumer and electronics group Emhart Corporation to the market with a DM175m five-year 5¾ per cent deal at 100¾. The lead manager said the deal was bid at a discount of 2¼ against total 2 per cent fees.

In Switzerland, prices ended a little easier in slow trading. The EIB's recent SFr150m 10-year issue trading for the first time closed at 98⅛ against an issue price of par.

A SFr100m convertible deal for Canon Sales is expected to be launched later today.

In French francs, Crédit Commercial de France hronght cement and concrete manufacturer Lafarge Coppee to the market with a substantial FFr1.3bn convertible issue, due January 1997, giving it a maturity of 8½ years. The coupon on the deal is indicated at 6 to 6¼ per cent.

Cofir to float 15% in drive for funds

By Peter Bruce and Tom Burns in Madrid

COFIR, the Spanish investment arm of Cerus, Mr Carlo De Benedetti's European holding company, is to float 15 per cent of itself on the Spanish bourses from today as part of a concerted effort to raise new capital, the group said yesterday.

The flotation will raise about Pta1.2bn ($10.5m).

Mr Jose Ramon Alvarez Rendueles, a former Central Bank governor and Cofir's chairman, also announced plans to float a Pta4bn convertible bond once the equity flotation has been completed.

Cofir began operating In Spain at the beginning of last year and has made only one significant investment since then – last April it bought 21.5 per cent of Pacual Hermanos, Spain's biggest exporter of citrus fruits.

In Madrid yesterday, Mr De Benedetti would not say what the new funds would be used to buy, but he suggested that Cofir was looking mainly to invest in Spanish industrial companies – and not in the financial or service sectors – with established foreign operations that could he improved with extra financing or through the injection of fresh management skills.

He said: "We are looking for companies that are growing faster than Spain's already high gross domestic prodnct growth.

"We are looking for companies in the high-tech sector, communications and publishing and we are also interested in traditional companies which can benefit from better distribution and organisation."

Mr De Benedetti's companies hold 46.85 per cent of Cofir, whose other main shareholders are Belgium's Société Générale, Banco de Bilbao and Grupo Construcciones y Contratas, the Spanish construction group owned by Mr Alberto Alcocer and his cousin, Mr Alberto Cortina. The three hold roughly 11 per cent each of Cofir.

Questioned on his caution in entering Spanish markets, Mr De Benedatti said he was looking for the right partners.

David Lascelles reports on the International Monetary Conference

Dissent in ranks of banking elite

THE INTERNATIONAL Monetary Conference, which has just held its 34th meeting in Chicago, must be among the world's most frequently mistaken organisations.

It has nothing to do with the International Monetary Fund. Nor, for that matter, is it particularly monetary. But it can probably lay claim to being the world's most exclusive banking club.

It was started in the 1950s by the American Bankers Association as an annual get-together for the country's top bankers.

It has now has expanded to include non-US bankers; this year there were 106 participants, 65 of them from abroad. Every alternate year the IMC is held outside the US – last year it was Hamburg, next year in Madrid.

Membership qualifications are strict, which is what gives the body its elitist appeal. Only the chairman or chief executive of a bank may attend, unprotected by the hordes of aides who clutter up more plebeian gatherings like the annual meeting of the IMF.

A small group of selected journalists is also invited, although they are not allowed into the conference's closed-door sessions. They are briefed separately by the speakers afterward.

The planning of the IMC is legendary, and is designed to cosset and flatter the high standing of its members.

Participants are met at the airport by IMC officials, whisked pre-cleared through customs and immigration and conveyed into town in chauffeur-driven limousines.

Alan Greenspan: appeared at IMC meeting this year

On arrival at the hotel, members are spared tedious sign-in formalities and are taken straight to their rooms, which will be stocked with an array of welcome gifts.

In Hamburg, the "loot" included chocolates individually inscribed with the recipient's initials, and a porcelain bowl.

This year, members received a tote hag from Marshall Fields stuffed with chocolates, reproductions of Georgia O'Keefe paintings, and a cassette recording of the Chicago Symphony Orchestra. Later they received a silver-plated frame for the IMC memorial photograph.

Each evening, fresh knick-knacks appear in members' rooms, accompanied by notes such as "Sweet dreams, from your host banks." Members usually leave IMC meetings several pounds heavier.

The proceedings themselves are lavish, even by the standards of an industry known for its fondness of entertainment.

Every spare moment is packed with events. This year, the Chicago Symphony Orchestra laid on a special concert which ended with a boisterous rendering of "Chicago" as balloons showered down from the roof.

The format of the IMC is usually similar. There are five business sessions, each devoted to discussion of some important banking theme. This year's included the world economic situation, strategy, innovation and risks.

The high-spot comes on the final morning when leading central bankers hold a three-hour free-ranging discussion. Mr Alan Greenspan, the Federal Reserve Board chairman, made his first appearance this year, along with the governors of the British, French, German, Japanese and Mexican central banks.

Their message was to warn that any further fall in the dollar could be counter-productive.

But in spite of the strong sense of well-being which the IMC instils in its members, it is not a wholly satisfactory occasion.

For the last two or three years, members have commented that they learn little of substance. The discussion themes are chosen a year in advance, which means they seldom focus sharply on the burning issues, and the debate seems to generate few new ideas.

Most members say they attend to meet each other – and do business. Several large banking deals have been put together in the corridors of the IMC, including last year's acquisition by National Australia Bank of Midland Bank's Scottish and Irish subsidiaries.

Growing press interest in the IMC has also put pressure on the organisers to expand the list of invited journalists who are allowed close access to the proceedings. This has backfired as members have voted to exclude the press from all but social functions, which caused a row in Chicago.

But this position may be untenable. In spite of the vote, many members feel uneasy about the world's most powerful bankers enjoying a cosy private gathering, often in the company of their regulators.

The IMC is also struggling with its identity. Although it is a commercial bankers' club, that definition is becoming blurred.

Increasingly, their interests extend into investment banking and other realms of financial services. So now there is a move to extend the IMC's aegis.

But quite where this will lead is not clear. Some members say there is a resolution to extend membership to include investment bankers. But Mr Don Ogilvie, the IMC's execntive vice-president, says he does not see that happening yet.

GMAC appoints Nomura unit as agent for offering

GENERAL MOTORS Acceptance Corporation (GMAC) has appointed the US unit of Nomura Securities as a sales agent for a $5bn medium-term note programme, AP-DJ reports from New York.

In a move which reflects both the wealth of Japan and the placing power of its biggest securities firm, Nomura is joining an elite group of four large US firms – Merrill Lynch, Salomon Brothers, First Boston and Morgan Stanley – which are agents for one of the leading US corporate borrowers.

GMAC is the financing arm of General Motors and provides financial services to the vehicle manufacturer's dealers and customers.

In selecting Nomura, GMAC said it hoped to expand its funding base to Asia.

Mr Richard Clout, GMAC's vice-president for borrowings, said in Detroit: "Our foremost, overwhelming priority is to have a primary market in Asia – in the near term, specifically Japan – for dollar-denominated medium-term notes, to be followed by a viable and active secondary market in Asia."

Nomura executives said the programme was the largest non-governmental US securities offering in which a foreign firm had participated.

New South Wales bank in paper programme reshape

BY OUR FINANCIAL STAFF

THE STATE Bank of New South Wales yesterday announced a restructuring of its outstanding short-term commercial paper programmes which would take its existing US paper programme to a total of $1bn, from $300m now outstanding.

The increase in the US programme, which provides funding for State Bank's global branch network, is designed to help keep pace with anticipated growth.

The bank is also adding Shearson Lehman Hutton to the existing dealer group of Morgan Stanley International and First Boston.

State Bank announced a comprehensive restructuring and enhancement of its existing $500m short-term Eurocommercial paper programma under which the bank will have more flexibility to issue commercial paper of Certificates of Deposit in a wide range of currencies.

The bank has sought to broaden the geographic investor base for the programme with the appointment of Crédit Suisse First Boston, Daiwa Europe, Merrill Lynch Europe, Morgan Stanley International and Saudi International Bank as dealers for the programme.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94⅝	+0⅛	+0⅝	9.35
All Nippon Air 9⅛ 97	100	†94⅛	94⅝	+0⅛	−0½	10.35
American Brands 8⅞ 92	150	98⅛	98⅝	+0⅛	+0⅜	9.36
A/S Eksportfinans 7⅛ 93	100	†95⅛	95⅝	+0⅛	+1½	8.70
A/S Eksportfinans 7⅛ 92	150	95⅛	95½	0	+0⅛	8.82

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅛	102⅝	0	0	4.74
Belgium 4⅝ 94	45	97½	97⅞	0	0	5.10
Canada 4⅛ 92	80	98⅞	99⅛	−0⅛	−0⅛	4.65
Elec. De France 5⅛ 94	20	100⅛	100⅛	0	0	5.02
Ireland 5⅛ 93	30	100⅛	100⅝	0	0	5.00

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅝ 96	100	†102½	103	0	0	5.20
Asfinag 5 02	150	†99	99½	0	+0½	5.07
Bk. Frgn. Econ. Ustr 5 98	100	†100	100½	0	+0¼	4.96
Bayer W/W 2½ 02	250	†99½	99¾	+0½	+0¾	2.53
Bayer. Vrnsbk.Os.4¾ 98	100	†99½	99¾	+0⅛	0	4.81
Elec.De.France 5 07	100	†98⅛	99	+0⅛	+0⅛	5.09
E.I.B. 4⅞ 97	200	†99½	100	−0¼	0	4.78
E.I.B 4⅝ 97	200	†99½	99⅛	0	+0¼	4.68
Euro Getreit 5 99	100	†99¾	100	+0¼	+0⅛	5.01
Ireland 5 02	150	†98¼	98¼	−0⅛	−0¼	5.15
Nippon Suis. Ksha.4⅛ 93	80	†102	103	+0¼	+0⅛	4.06
Occidentl.Petrol 5¾ 92	100	†103	103½	0	0	4.75
Prov.of Manitoba 4⅞ 02	200	†99⅛	99½	−0¼	0	4.83
Prudential Fin. 4¾ 98	200	†99½	99⅛	+0⅛	+0½	4.80
Qantas Airways 4¾ 97	110	†97	97¾	+0¼	+0⅛	5.11
Trans-Can. Pipe 4⅝ 94	100	†101⅛	102	0	+0⅛	4.49
Usi+g 5½ 96	120	†102	102¼	−0½	−0¾	5.15
Victoria Pub.Ath.5⅛ 03	118	†101	102	+0⅛	+0½	5.22
World Bank 5 02	200	†99	99½	−0⅛	+0⅛	5.07

Average price change... On day +0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Gunma Bank 2⅛ 02	4/87	808.	175½	176⅞	−3	6.47
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	140⅞	142⅛	+7⅛	8.25
Land Secs. 6⅛ 02 £	6/87	6.72	100⅛	101⅛	0	15.32
MCA INC 5½ 02 US	9/87	69.62	80	81	+1	34.25
Minolta Camera 2⅛ 94DM	2/86	1004.	104⅛	105⅛	+0⅛	17.58
Mitsubishi Bk.1¾ 02 US	9/87	3157.	120	121⅝	−0⅛	4.74
Mitsui trust 2⅝ 01	10/86	1903.	150⅛	152	−0⅛	1.23
Next PLC 5⅛ 03 £	11/87	4.3	103⅛	104⅛	+0⅛	71.10
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	141⅞	143⅛	−0⅛	14.80
Omron Tateisi 2⅝ 02	4/87	1310.	228⅞	230½	+3⅛	2.64
Ranks Hovis 4⅛ 03 £	1/88	3.5	116⅛	117½	0	10.68
Redland 7⅛ 02 £	1/87	5.4	92	93	+0⅛	20.65
Texas Inst. 2⅛ 02 US	†9/87	82.87	78½	79½	+0½	36.03
W.R. Grace 6⅛ 02 US	9/87	42.12	84⅛	85⅛	+0½	31.21

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Flemming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday June 13 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54.6380	31.6839	43.6743
Albania	(Lek)	10.1044	5.5625	3.2256	4.4463
Algeria	(Dinar)	10.2633	5.6500	3.2763	4.5163
Gabon	(CFA Fr)	529.13	291.2909	168.9162	232.8404
Gambia	(Dalasi)	11.8977	6.5497	3.7981	5.2355
Germany East	(Ostmark)	3.1325	1.7244	1	1.3784
Germany West	(D Mark)	3.1325	1.7244	1	1.3784
Ghana	(Cedi)	338.99	186.6171	108.2170	149.1705
Gibraltar	(Gib £)	1.00	0.5505	0.3192	0.4400
Greece	(Drachma)	251.87	138.6567	80.4054	110.8338
Greenland	(Danish Krone)	11.9125	6.5579	3.8028	5.2420
Grenada	(E Carr $)	4.92	2.7085	1.5706	2.1650
Guadaloupe	(Local Fr)	10.5825	5.8257	3.3782	4.6567
Pakistan	(Pak. Rupee)	31.90	17.5612	10.1835	14.0374
Panama	(Balboa)	1.8165	1	0.5798	0.7993
Papua New Guinea	(Kina)	1.5383	0.8468	0.4910	0.6769
Paraguay	(Guarani)	583.04o	320.9688	186.1260	256.5632
		1617.94a	890.6908	516.5011	711.9647
Peru	(Intl)	60.13o	33.1021	19.1955	26.4598
		341.63a	188.0704	109.0598	150.3322
Philippines	(Peso)	36.50	20.0935	11.6520	16.0616
Zaire Rep	(Zaire)	322.1569	177.3508	102.8433	141.7632
Zambia	(Kwacha)	14.20	7.8172	4.5331	6.2486
Zimbabwe	($)	3.2425	1.7850	1.0351	1.4268

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America

When rivals have a common interest

IT HAS become fashionable for politicians to see the joint venture in research as a way for Europe to pursue its desire to remain economically competitive with the US and Japan.

Companies enter into a collaboration in "pre-competitive" research to share costs that have outstripped inflation. They retain the freedom, however, to go their own ways when the research phase is finished.

Pre-competitive research is more basic than industry has become accustomed to. But long gone are the days when an invention like the steam engine could be around for a century before there was a theory (thermodynamics) to explain what was happening. The theoretical base is essential if nuclear reactors, semiconductors and genetic engineering are to work.

But does collaborative research between companies really work? The aptly named Esprit European programme of collaborative pre-competitive research in information technology, begun in 1983, has done much to encourage the idea of joint ventures, bringing companies together which had previously avoided each other.

Six of the dozen companies which helped found Esprit have tried to measure how much it would have cost them to gather the same information alone. They concluded that often they could not have done it because they lacked the necessary "critical mass" of scientists. But if they could, it would have cost them four times as much.

Still more important, it brought companies together which previously never made contact, sometimes not even as competitors, as Professor Pierre Agrain told the Parliamentary Group for Engineering Development at a meeting arranged by the Fellowship of Engineering in London. Agrain, who is among the most international of senior French scientists, is science adviser to the Thomson group, one of Esprit's founding members. He offered as two outstanding examples of joint ventures born of Esprit the Mega microchip project, between Siemens and Philips, and the merger of Thomson Semiconductors with SGS in Italy.

In an older industrial sector, the Prometheus project – under Europe's Eureka programme which is designed to foster cross-national collaboration – is probably the most ambitious piece of research undertaken by the motor industry. Prometheus involves the car industries of five European countries co-operating to evolve a system that might help to reduce the toll of 50,000 deaths in traffic accidents in the European Community each year. The programme was described by Hans-Peter Glathe, director of research and technology planning with Daimler-Benz, at a meeting of the European Industrial Research Management Association (EIRMA) in Madrid.

Over the next six years, the Prometheus project aims to use advanced information technology and social science to find a way of reconciling the autonomy of the driver with the need to ensure that his car does not hit anything. Glathe calls it "adapting technological progress to human capabilities."

For the motor companies it represents a new scale of co-operation, and one that could give their products a great advantage over imports to Europe by integrating the electronics of car and road.

As Eureka gathers momentum and Esprit prepares for a new and bigger five-year programme, Agrain is urging European governments to back pre-competitive research. In the US, the Strategic Defence Initiative ("Star Wars") programme may never produce a shield that is proof against nuclear weapons, but it is a wonderful way of supporting long-range research, especially in software engineering, says Agrain.

Other voices still express misgivings. At the EIRMA meeting, Jean-Louis Beffa, chief executive officer of Saint-Gobain, the French glass and packaging company, expressed worries about joint ventures revealing corporate strategy to competitors.

Maurice Sahlin, chief executive of SKF, the Swedish engineering group, said bluntly that he saw himself as being at war with his competitors and could not countenance the idea of a joint research venture. He advised companies not to part with their latest technologies because that was what gave them an edge.

Royal Dutch-Shell described how it had tried to avoid the risk of divulging corporate strategy by launching a joint venture with Gist-brocades, the Dutch biotechnology company, at arm's length from the two parents. The idea was to explore a possible opportunity for biotechnology in making fine chemicals.

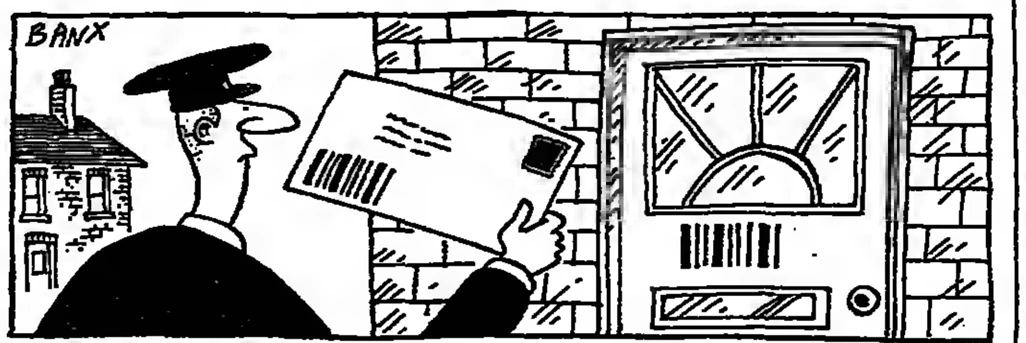
Harry Beckers, head of research and development at Shell, said he believed they had got it right with the 50:50 venture, International Bio-Synthetics. What worried him most was politicians who enthused about pre-competitive research without understanding what it was, much less the pitfalls.

As EIRMA's chairman, Hansjorg Heller of Ciba-Geigy, summed up, the important thing about a joint research venture was to know what you were going to do when you dissolved it.

David Fishlock

Paul Abrahams finds that post offices are investing heavily in new equipment to combat growing competition

Electronic delivery of a better mail service



PUBLICLY OWNED postal services in both Europe and North America are investing in new technology to counteract the twin threats of courier services and facsimile machines.

"Post offices have been providing a target market for the courier business since the late 1970s and are only now realising the need to compete," says Kevin Murphy, an analyst at Morgan Stanley in New York.

Murphy explains that deregulation in US air transportation in 1978 provided an opportunity for organisations such as Federal Express, United Parcel and DHL to exploit the relatively poor service offered by the US national postal system. The couriers' expansion was helped by the growth in high technology industries, which required rapid carriage of computer parts and data.

The delivery companies now handle 400m items of mail a year. In terms of market share this remains tiny – the US postal system handles between 500m and 600m letters and packages a day – but they have tended to concentrate on the more lucrative business market. Their current annual turnover is reckoned by analysts to be $7bn (£3.8bn), compared with an estimated $36.2bn total for the Postal Service.

"Europe is in the same situation as the US was 15 years ago. Deregulation in 1992 could blow the market apart, providing some fantastic opportunities," says Murphy.

One of the ways the postal services in the US and Europe are reacting to the challenge from the couriers is through investment in optical scanning technology to improve the rates at which letters are sorted and delivered.

The Post Office in the UK says that investment in scanning equipment has helped it to improve delivery times. Its figures for the first quarter of this year show 88.7 per cent of first class mail arriving the next working day.

Much of its investment has been in optical character recognition, which allows typed post codes to be read by a scanner. The system, which can recognise up to 50 typefaces, translates the post code into a binary format and jet-prints it on to the envelope in a series of blue phosphorescent dots. Post codes of non-typed addresses are tapped in manually and the dots are then printed out on to the envelope.

The dots are illuminated by ultra-violet scanners and read in the half-second glow that follows the exposure. This enables the mail to be separated ready for delivery.

Keith Phillips, head of engineering research and development at the Post Office, says that the scanners, engineered by AEG, the German company, can read 32,000 letters an hour, or nearly 10 a second. He also maintains that because of the investment, the UK Post Office is able to read a high proportion – between 40 and 60 per cent – of mail optically compared with other countries.

But the proportion is limited by the number of customers who fail to use post codes. At present 30 per cent of UK mail falls into this category, compared with 5 per cent on the Continent.

In the US, the Postal Service is spending between $300m and $500m dollars a year on improving its optical character readers. Its machines, again designed by AEG, can handle 33,000 items an hour.

One difference between the UK and American system is that the US machines print bar-codes, rather than dots. The advantage of bar-codes, according to Currie Boswell, the director of the office of operational requirements, is that companies can print their own codes on pre-paid envelopes.

Another area where post offices are investing to improve service is in stamp vending. The main avenue for this is to divert sales from post office counters.

"We noticed that supplying through cashiers was an expensive way to sell stamps," says André Vinas, directeur départmental, adjoint ministère du PTT, the French postal and telecommunications service.

"First, we were irritating the customers by the period they had to queue and driving the custom elsewhere. Second, we were tying up somebody for a long time while they had to find the right stamp, tear it out, sell it and then do all the accounting – all that just for one stamp. It just was not sensible or efficient," he says.

Like other post offices, the PTT is investing in vending machines both to cut staffing costs and to provide a quicker service for the customer. It is installing more than 3,000 vending machines to reduce the proportion of stamps sold over the counter, now standing at 75 per cent. The other 25 per cent are sold through bureaux de tabac.

The US Postal Service is also investing in vending machines. It has just finished the first section of a two part programme, spending $48m between 1985 and 1987 on 33,000 machines. The second part will cost $87m. John Ralston, an acting general manager, hopes that the proportion of sales through machines will increase from 15 per cent to between 50 and 60 per cent by 1990.

He explains that capital costs have been kept down because of the competitive nature of the supply industry – there are 12 manufacturers selling stamp vending machines to the US Postal Service.

The UK Post Office is also investing in stamp vending machines, though on a more modest scale. At present, 98 per cent of the 5bn stamps – worth £800m – sold each year are bought over the counter. The Post Office is investing £3.5m in vending machines both inside and outside its buildings to reduce queues.

Like the US service it has chosen small companies to manufacture its systems. Hillday, of Norfolk, has just supplied 100 machines and Somerset-based Coinage has recently won a contract worth about £1.5m.

The Post Office is also running a pilot scheme through which retailers, such as newsagents and card shops, can sell stamps direct to the public. They are supplied to the shops by the Post Office at a 5 per cent discount.

But a spokeswoman at the UK Post Office said she doubted whether British retailers would be willing to adopt the methods of their counterparts in the US, who are willing to sell $5 books of stamps for $4.50 in an attempt to attract customers.

WORTH WATCHING

Edited by Geoffrey Charlish

The disc that can take a new record

ACCORDING to BIS Mackintosh, the UK electronics business consultancy, the rather low-key announcement by US company Maxtor of erasable optical disc drives is "a major event" and will set the commercial market rolling.

Maxtor, of San Jose in California, says it will make production quantities of both 5.25-inch and 3.5-inch diameter drives available by September. The former, called Tahiti, can store one gigabyte (a thousand million characters) of information – many times that of magnetic discs – and access takes only 30 milliseconds (thousandths of a second).

BIS Mackintosh, in a recent Viewpoint report, says that the performance of the Tahiti surpasses that of both the "write once" and erasable 5.25-inch optical drives which have been announced but are not yet fully on the market.

Optical discs have so far resembled gramophone records in that they cannot be erased and re-recorded like magnetic discs and tapes. Applications have been in compact discs of music and large-scale storage of archival data on discs up to 12 inches in diameter.

Maxtor is using a magnetic-optical technology, with media supplied by Philips and Du Pont. A laser produces a magnetic change in a microscopic area to form a digital "bit". This is read by another beam that becomes altered by the magnetism. Erasure takes place using a magnetic field, as in magnetic media.

Mr Skip Kilsdonk, vice president of marketing, claims that the new erasable drives overcome many of the performance weaknesses in optical technology, such as slow access and low data transfer rates. At prices (in volume) of between $1,000 and $2,500 per unit, widespread use is expected in computer systems in place of magnetic media.

The two other US companies with high profiles in the erasable optical area are Verbatim (a Kodak company) and Tandy.

The latter made an announcement a few weeks ago, with a rider from the company chairman that the longevity of the media (which uses a thermal technique) "is not proven." Verbatim is not expected to make a formal product announcement until the final quarter of this year.

Japanese companies believed to be developing erasable media include Sharp, Sony, Olympus, Toshiba, Hitachi and Matsushita.

Electronic scanning — by hand

MITSUBISHI, the Japan-based electronics group, is introducing hand-held electronic page scanners, which will help the desk-top publishing industry to enter paper documents into its electronic systems.

The new units, which scan page widths of 130mm (model MH130) or 216mm (MH216), are about the size of a roll of kitchen paper. The user can move them across the page in about 10 seconds.

A line of tiny light-sensitive electronic components "looks at" a thin line across the page in about two milliseconds. Individual elements along the line are sensed by the polished ends of optical fibres nearly in contact with the paper and the amount of light they "see" is conducted to the light detectors. The scanning line is illuminated by built-in light emitting diodes. Software builds up the hundreds of successive lines into a complete image.

The scanner has rollers at either end. These drive a rotary encoder to generate timing pulses which trigger scanning lines. This ensures that the lines are equally spaced, regardless of the speed at which the user moves the unit. The light fibre optical design obviates the need for bulky lens systems.

For A4 paper sizes, the larger model provides a resolution of 200 dots per inch (dpi), while the smaller MH130 deals with A5 paper at 400 dpi.

The scanner is connected to a printed circuit board carried inside a personal computer (IBM XT or AT). Associated software converts the scanned images into a replica that can be viewed and edited using DTP software. The scanners will deal with photographs, including turning colour material into black and white versions.

The units can scan any textual or graphical material. Hand control allows the user to select the parts to be scanned. The price of a single unit is about £600.

CONTACTS: BIS Mackintosh: UK, 0582 405678 or in the US on (408) 867 9800. Maxtor: US, (408) 432 1700 or in the UK on 04862 29814. Mitsubishi: UK office, 07072 78603.

UK COMPANY NEWS

OFFER DOCUMENT EXPANDS ON FINANCING OF SUCHARD BID

Boardroom offer to Rowntree

BY PHILIP COGGAN

Jacobs Suchard, Swiss coffee and confectionery groop, yesterday said it would invite Rowntree *representatives to join its board*, if it won control of the York-based chocolate manufacturer in its current £2.3bn takeover bid.

The statement came in Suchard's offer document which was sent to Rowntree's sharebolders yesterday. Suchard, which owns 29.9 per cent of Rowntree's equity, also said that it would hope to appoint a Rowntree *representative as a member* of the group's chief executive office.

The document added that the global management of Rowntree's brands would continue to ba handled from York and *responsibility for Suchard's UK* activities would be transferred to Rowntree.

Mr Bob Jaunich, a member of Suchard's chief executive office, said it was impossible to *rule out* job losses at Rowntree but Suchard's hoped that the combined business would grow quickly rather than shrink.

The *document* gives more details of the financing of the Suchard offer. UBS and Swiss Banking Corporation have underwritten a £1.75bn credit facility to finance the bid.

Under covenants, Suchard will be required to ensure that the ratio of current assets to current liabilities exceeds 1.25 to 1 in the first year, and that profits before interest and tax exceed borrowing costs by 2.5 to 1.

The arguments failed to convince the Rowntree board. A spokesman said that that the 950p per share offer still did not adequately reflect the valua of the group's brands.

Rowntree also faces an 890p per share from Swiss foods group Nestlè, which is widely expected to increase its offer and top the Suchard bid.

Nestlè, which owns over 15 per cent of the Rowntree equity, declined to comment on the Suchard offer document yesterday.

Rumours persist that Rowntree is in talks with both Nestlé and Suchard but all parties were, as usual, declining to comment. Rowntree held a board meeting yesterday but a spokesman said *that such meetings* were "*pretty* frequent" at the moment.

Rowntree's shares closed down 3p at 1065p yesterday.

Continuous Stationery increases to £1.03m

Pre-tax profits at Continuous Stationery, printer of business forms and stationery, rose from £529,000 to £1.03m for the year ended April 1. Turnover advanced from £7.71m to £9.87m.

Earnings per 10p share were lifted to 9.54p (4.92p). A final dividend of 2.25p (1.5p) is recommended, for a total of 3p (2p).

The figures included an exceptional credit of £243,000 (£1,000), resulting from the sale of the original stationery manufacturing operation, less redundancy and closure costs. Excluding this and assuming tax of 35 per cent, earnings would have been 6.58p (4.4p).

Prontaprint, which joined the groop after the end of the year, achieved pre-tax profits for its year to March 25 of £891,000 (£213,000) on turnover of £4m (£3.5m). Continuous said that one of the key attractions of Prontaprint was its progress towards *transforming its chain of print* and copy shops into broadly-based business centres.

Development in new areas holds Carroll to I£4.53m

THE COST of development in new areas reduced pre-tax profits at P.J. Carroll and Company to I£4.53m (£3.87m) in the six months to March 31 1988 on sales of I£110.38m. This compared with £5.67m on sales of £143.99m in 1986-87. The sales for the comparable period included £30.27m from the pharmaceutical wholesaling division which was sold last September to its management.

At the operating level Carroll made £8.86m against £8.66m but this was redoced by losses of £2.5m (£1.8m) in the aquacultore and direct marketing businesses.

The directors said the restructuring and redundancy programme in the tobacco division would continue throughout the current year. The benefits would be reflected mainly in 1988-89.

The aquaculture division was moving into operation and was expected to trade profitably in the second *half*.

The interim dividend is maintained at 2.8p.

Telecomputing runs into loss

Disappointing revennes from its Top-One artificial intelligence software system resulted in Telecomputing swinging from profits of £452,500 to losses of £189,000 pre-tax for the six months to end-March.

Turnover of the USM-quoted group totalled £1.57m (£1.7m). Loss per 10p share was 1p (earnings of 6.73p). The interim dividend is held at 0.65p.

Capital Gearing

Net asset value of Capital Gearing Trust stood at 185.3p at April 5, against 175.7p a year earlier. Net profits rose to £7.13m (£6m) in the 12 months to April 5 1988. Earnings were 0.32p (0.27p). A *dividend of 0.275p (0.25p) is proposed.*

Equity & General at £1m

Equity & General, industrial holding company with interests in financial services and motor *dealerships*, saw pre-tax profits increase from £798,580 to £1.01m in 1987. Groop turnover rose £2.3m to £26.97m. Earnings per 5p share came out at 3.31p (2.57p) and the final dividend is a proposed 0.95p (0.75p), making a total of 1.35p (1.05p). There was an extraordinary debit of £24,369 (£14,717).

The directors said that progress had resulted entirely from organic growth in the company's main trading activities, but that the recent publication of the Department of Trade and Industry inquiry report requested by the company in 1984 meant that the company could now move forward with its acquisition and expansion strategies.

Recovery at Hawtin

TAXABLE PROFITS of Hawtin, protective clothing group, recovered strongly in the six months to end-March.

Turnover during the period expanded by 24 per cent to £11.98m and the pre-tax profit of £473,000 compared with a loss of £99,000 *last time.*

The group's manufacturing subsidiaries normally earn greater profits during the summer months and the directors said that this, together with the contribution from the property division, should ensure a further improvement in the results.

After tax of £166,000 (nil), earnings per 5p share came out at 0.49p (loss of 0.19p).

Investment Co ahead to £0.9m

Investment Company saw pre-tax profits rise from £875,715 to £912,727 for the year to end-March.

Profits on changes of investments rose substantially from £165,411 to £761,466.

Earnings worked through at 4.82p (4.5p) per share and the recommended final dividend is lifted to 0.85p, making a total of 1.3p (1.25p).

Fashion and General

Fashion and General Investment incurred a £99,000 downturn in taxable profits from £591,000 to £492,000 in the year to March 31.

Earnings were 22p against 24.6p last time. A reduced final dividend of 11.7p (14.3p) makes a total of 21.7p (24.3p).

Invergordon stalked by unidentified predator

By Ray Bashford

AN UNNAMED predator is considering a takeover for Invergordon Distillers (Holdings), the Scotch whisky distiller and blender.

Greig Middleton, the London stockbroker, yesterdey announced that it was advising on "the possibility of a bid", but added that it was premature to predict whether a formal offer would be made.

The statement came after the close of trading when the Invergordon shares were down 10p at 256p. This price values the company at £55.8m.

Hawker Siddeley, the aero-engine group, has a 65 per cent stake in Invergordon and there has been considerable speculation that it may dispose of this holding.

A buy-out of Invergordon by Hawker Siddeley management is understood to have been considered but more recently Japanese companies have been expressing interest in the stake.

Mr C.G. Greig, managing director of Invergordon, said last night be did not know the identity of tha potential bidder and added that the announcement came as a "total surprise". Invergordon's brand names inclode Original Mackinlay and Glayva.

The announcement to the Stock Exchange is the latest in a spate of bid activity in the whisky industry over the past few years.

Irish Distillers Group, which is the world's sole manufacturer of Irish whiskey, is currently fighting an I£200m bid from a consortium which brings together three of Britain's biggest drinks groups – Allied-Lyons, Grand Metropolitan and Guinness.

Hawker Siddeley acquired all of Invergordon in June 1978 when it paid £23m for the diversified Carlton Industries. This holding has been reduced through two sales since.

During the year to December 31 Invergordon's pre-tax earnings increased 7 per cent from £5.2m to £5.57m and the final dividend was lifted from 3.75p to 4p as industry stocks of maturing whiskies moved into balance and margins improved.

Acquisitions help boost EMAP by 67% to £25m at year-end

BY VANESSA HOULDER

A COMBINATION of acquisitions, increased revenues and improved margins helped EMAP, the publishing, printing and exhibition group, boost profits by 67 per cent for the year ended April 2.

The pre-tax figure increased from £15m to £25m on turnover up by 61 per cent from £116.6m to £187.9m.

The profits were 10 per cent better than most analysts were expecting and the share priced moved up from 209p to close at 216p.

Sir Frank Rogers, chairman, said that in addition to a series of significant launches, the company had improved margins *through tighter cost controls.* A revolution in production, distribution and wholesaling had resulted in lower costs with further benefits still to come, he said.

Acquisitions contributed 55 per cent of the profits increase, the bulk of which was due to Courier Press and Senews, newspaper groups, and Trade Promotion Services and FIE, exhibition companies. A total of £57.5m was spent on nine acquisitions during the year.

The divisional breakdown of operating profits showed that the contribution of consumer magazines increased by 9 per cent to £8.6m; bnsiness magazines increased by 31 per cent to £5m; exhibitions rose to £5m (£1.2m); newspaper publishing was up to *£8.6m (£3.2m)*; and newspaper printing almost trebled to £1.8m.

A total of £3.2m was spent on launch costs during the year, of which about £2m was spent on business magazines. Since the year-end, the company has launched a young women's magazine called More! at a cost of about £2m, and a magazine for the golf market, Today's Golfer.

The magazine divisions have improved margins following tougher deals with wholesalers, and changes to distribution. Trucks are now used instead of rail, although the main benefit of these changes is expected to come through next year. The company has recently signed a deal with Haymarket Publications to merge their circulation *operations, which should* bring further reduced transport costs and greater distribution efficiency.

The regional newspaper group benefited from a 12 per cent increase in advertising volumes as well as the acquisitions of Courier Press and Senews and a 75 per cent stake in Citizen newspapers. EMAP is the largest UK publisher of weekly paid-fors and the second largest publisher of free newspapers.

The newspaper printing division, which prints 119 titles on five different sites around the UK, benefited from its first full-year contribution from its contract to print The Independent and the overall increase in pagination of newspapers.

At the year-end, the company *had net cash of £7m. The* company said it intended to grow all its divisions but that the newspaper and exhibition sectors particularly lent themselves to acquisitions.

Earnings per share increased by 37 per cent to 12.2p (8.9p). A final dividend of 3.1p (2.13p) makes a total for the year of 4.2p, an increase of 40 per cent.

● comment

More! More! More! was the ebullient slogan with which EMAP unleashed its results, which, as usual, beat the most optimistic expectations. EMAP's jubilation is well justified: it has a sparkling reputation earned from its decentralised management style, strict financial controls and a highly creative output of magazines (of which More! is the latest example). Beyond this the strong organic growth of the past year reflects the boom in *advertising revenues*, which as well as bolstering publishing profits had a knock-on benefit to its contract printing side. Furthermore, EMAP has taken a series of measures to improve margins – *the bulk of which* have yet to come through to profits. It is this attention to costs which goes some way to easing the main worry about EMAP's future, namely that a recession would knock the stuffing out of the press advertising revenues on which it relies. Its consistently strong performance means that a rating of 14, based on a profits *forecast* of £31m and a share price of 216p, is fully justified.

Craig & Rose progresses

Craig & Rose, Edinburgh-based paint manufacturer, lifted taxable profits from £97,000 to £152,000 in 1987.

The outcome was posted on turnover slightly reduced to £4.67m (£4.72m).

Earnings per £1 stock unit rose to 20.75p (15.75p). A final dividend of 10.75p is recommended, making 12.75p (12.25p) for the year.

Inspectorate/IOS

INSPECTORATE UK, part of the Inspectorate group, has purchased 409,407 ordinary shares in Oilfield Inspection Services (*OIS*)-5.57 per cent of the capital.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Alexon ....fin	5.5†	-	4	8	6
Bett Brothers ....int	1.4	Aug 1	1.3	-	3.5
Capital Gearing ....fin	0.28	-	0.25	0.28	0.25
Carroll (P J) ....int	2.8♣	July 12	2.8	-	7.8
Continuous Stat ....fin	2.25	-	1.5	3	2
Craig & Rose ....fin	10.75	-	10.25*	12.75	12.25*
Cropper (J) ....fin	1.45	-	1.08*	2.13	1.63*
EMAP ....fin	3.1†	July 25	2.13	4.2	2.87
Equity/General ....fin	0.95	-	0.75	1.35	1.05
Fashion & Gen ....fin	11.7	-	14.3	21.7	24.3
French (Thomas) ....int	1.21	Aug 26	1.15	-	2.86
Harrison Inds. ....fin	4.75†	Aug 3	3.9	6.85	5.75
Investment Co. ....fin	0.85	-	0.8	1.3	1.25
Ivory & Sime ....fin	4.5	Aug 9	4.5	5.75	5.75
Magnet ....fin	4.4	-	3.8	6.9	6
Mowat § ....fin	0.5	-	-	0.5	-
Property Parts ....fin	3	-	2.5*	4.75	4*
Reflex Inv § ....fin	0.56♣	-	-	0.56	-
Telecomputing § ....int	0.65	-	0.65	-	1.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♣Irish currency.

Magnet rises to £57.5m despite troubled year

BY FIONA THOMPSON

Magnet, West Yorkshire-based maker and retailer of DIY kitchen, bathroom and bedroom units, doors and windows, yesterday reported a 30 per cent rise in pre-tax profits, from £44.2m to £57.5m, for the year to March 31 1988.

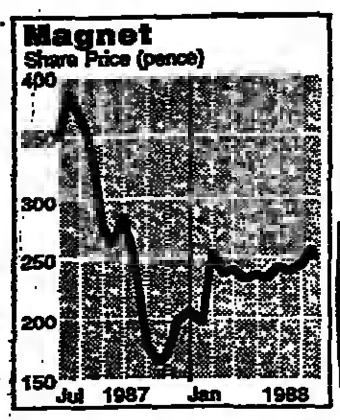
This past year has been an unnerving one for Magnet. It saw almost a third, some £270m, whipped off its share value in four weeks last summer after cuts in brokers' profit forecasts; it called in the Bradford fraud squad after an internal audit discovered a director's private discount deal with a supplier; it made 550 people – 10 per cent of its workforce – redundant; and decided to shed its timber merchanting subsidiary Southerns-Evans and, with it, the "Southerns" of Magnet & Southerns.

The shares closed 4p down last night at 249p.

"We are very content with these results," said Mr Tom Duxbury, chairman. "We had a strong second half, making £32m profits."

He expected to make an announcement within two to three weeks on the sale of Southerns. It is thought the company has fetched between £80,000 and £100,000 and the buyer is likely to be someone other than Hillsdown Holdings, Meyer International or Sandell Perkins – three companies mentioned in press reports as contenders.

Magnet planned to open 60 more stores during the current financial year, increasing the present total of 195 stores providing selling space of 707,000 sq ft to 255 stores with a total selling space of 1.2m sq ft. Since the mid-1960s, the company has been transforming itself from a supplier to the building trade into a retailer but Mr Duxbury conceded that Magnet had some way to go.



"Our retail sales were relatively modest," he said, "about £200m out of total turnover of £375.58m," up from last year's £318.71m. The timber merchant division accounted for £100m

On the fraud case, Mr Duxbury said the company's computer manager had made a private discounted arrangement with a supplier and "was skimming a profit off the top" for about 2¼ years. All the funds the former employee had deposited in a private bank account – about £500,000 – had now been retrieved, he said.

The 550 redundancies (leaving a balance, excluding the 1,200 Southerns staff, of 4,600 employees) resulted in a one-time cost of £1.2m, taken above the line.

Property disposals made a £2.8m contribution to profits. Tax took £20.28m, against £15.3m last time. Earnings per share rose 20 per cent to 18.9p (15.8p), and a proposed final dividend of 4.4p makes a total for the year of 6.9p (6p).

● comment

The City has not yet forgiven Magnet for what it saw as being led astray last year, and consequently analysts are erring this year on the side of caution, plumping, publicly at least, for about £70m. The costs of running the stores are rising – with the need for computer literate staff who plan your kitchen for you; and the 100 superstores still to be refitted (to include about 25 as opposed to 4 kitchens in their showrooms) will cost £100,000 each. On the plus side, with 200 sites, the bulk in the south-east, property profits this year could rise to £4m, and there is talk of changes in the assembly system which could reduce labour costs substantially. First though the sale of Southerns – analysts speculate that Harrisons & Crosfield is the purchaser. The shares are on a p/e of 11, fairly valued unless the company produces figures somewhat better than the £70m forecast, as some feel they might. In which case, the shares are cheap.

BAT in dispute over Farmers' agm vote

BAT Industries said the "proper" final count in voting on its resolution at Farmers Group's annual meeting should have been at least 28m shares voted in favour of the resolution, no more than 25.6m opposed with about 300,000 abstentions.

That count would have been sufficient to carry the resolution, which calls for Farmers to negotiate with BAT on a possible merger.

On June 9, Farmers said the report of the judges of election showed 27.8m votes in favour of the BAT resolution, 26.8m shares opposed and 2.4m abstained. But Farmers said because the BAT resolution did not win a majority of the votes cast, when abstentions were included, the resolution did not have enough votes to be adopted.

Hughes Food in packaging buy

By Ray Bashford

Hughes Food Group has returned to the takeover trail through the £5m cash and share purchase of Eurocon Packaging, manufacturer of collapsible aluminium tubes for packaging of pharmaceutical and toiletry products.

Half of the purchase will be in cash with the rest satisfied through the issue to the vendors of 2.5m ordinary shares.

The new shares will represent 3.5 per cent of Hughes's enlarged issued capital and will be retained by the vendors for at least one year.

Hughes said the purchase would form the basis of a new packaging division and was a further step in its plan to broaden the company's scope and product base which last year was extended through the acquisition of fish processing and frozen foods groups.

At the same time Eurocon's toiletry products filling business would continue to be developed.

Eurocon made £420,000 pretax in 1987 on turnover of £3.4m. Hughes said that Eurocon's present trading position was significantly ahead of last year's result.

Ivory & Sime profit falls as expected

BY CLARE PEARSON

PRE-TAX profits of Ivory & Sime, Edinburgh investment management group, fell broadly in line with City expectations to £3.35m (£3.51m) in the year to the end of April. About £2m of the profit was earned in the first half, before the October stock market crash.

Towards the end of the financial year, the company became involved in protracted wrangles with shareholders of two of its investment trusts, Japan Assets and Atlantic Assets, over restructuring plans.

As a result of these restructurings, which were approved only after the year-end, and that of a third, Edinburgh American, the group has broadened its industrial exposure which was previously heavily weighted towards small, high-technology, US companies.

Sumitomo Life, the Japanese insurance company, became a 14.2 per cent shareholder in March when the company issued new shares to raise £7.7m.

Another recent significant change has been Ivory & Sime's move into the retail market. Last November, it recruited some of the sales and marketing team from County Unit Trust Managers.

Revenues increased by 13 per cent during the year to £9.27m (£8.2m), reflecting the higher level of fee income earned before the crash and also income from the Atlas fund and Far Eastern joint ventures.

However, the costs of setting up new vehicles, and the recruitment of the County team, helped operating profits fall by £215,000 to £3.25m. Mr Ross said he did not expect administrative costs to be lower this year.

Earnings per share came out at 8.34p (8.84p). But the final dividend is the same as last time at 4.5p, making an unchanged 5.75p for the year.

● comment

The results of the profound changes at Ivory & Sime over the last six months are completely up in the air. How much new business it can gain from its strengthened links with Japan, and its move into the retail market, are questions for the longer-term. This year, its revenue base is bound to fall as investors take the opportunity of the restructurings to exit, although Mr Ross said that £15m of the funds transferred from Edinburgh American to Atlas was still there. On the assumption that it can outperform over the twelve-month period the profit it has made since the crash, and taking into account the return on the £7.7m it raised in March, profits may come out at £3m this year. That puts the shares on a prospective p/e of over 20, at which level there seems no argument at all for buying them.

SHARE STAKES

Changes in share stakes announced during the past week included:

Priest Marians Holdings: Mr SA Fussell, chairman and chief executive, has, in a series of purchases through a wholly owned private investment company, increased his holding of ordinary shares from 3.7m (24.58 per cent) to 4.1m (27.23 per cent), and his holding of convertible loan stock from £1.49m nominal (4.98 per cent) to £2.01m (6.74 per cent).

Centreway Industries: Mr AJ Cross, chairman and managing director, acquired 112,500 ordinary at 50p, increasing his beneficial interest to 51.1 per cent.

Barsey: Mr RF Adair has become interested in a further 440,000 ordinary shares and is now interested in 2.06m (9 per cent).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Colourvision, J A Devenish, Robert Horne, River & Mercantile Amer. Capital Trust.

Finals- Airsprung, Alphameric, Bradford Prop Tst, BSS, Chancery Secs., Crown Eyeglass, Dewson Int., Erskine House, F&C Smaller Cos., T Lockyer, L & Co Freighters, Normans, Northern Foods, Oceana Dev. Inv. Tst, Premier Consolidated Oilfields, TGS, Wardell Roberts, Yellowhammer.

FUTURE DATES

Interims-	
Dewhurst	July 14
Finals-	
Aberfoyle	June 17
Brookmount	June 22
Marling Industries	June 30
Mountview Estates	June 22
Reed Executive	July 1
Rexmore	July 12
Robertson Group	July 4
Security Archives	June 17
Stavely Industries	June 22
Tysons (Contractors)	June 20
Wellman	June 21

Generale des Eaux lifts UK waterworks interests

BY ANDREW HILL

Tendring Hundred Waterworks Company has become the latest statutory water company to attract the attention of a large French water supplier.

Compagnie Generale des Eaux, which has substantial stakes in at least five other statutory water companies, yesterday revealed it held 15.9 per cent of Tendring's voting stock.

The shares are held through General Utilities, a wholly-owned subsidiary of Generale des Eaux.

Tendring, based in Manningtree, Essex, said it welcomed the French shareholder, which approached the statutory company before building up the stake.

Mr John Rayner, general manager, said he was convinced a constructive technical and financial relationship could be developed to benefit Tendring's customers.

Unlike some statutory companies, Tendring does not limit the number of votes which can be exercised by shareholders.

Several large investors – including France's three biggest water suppliers – have recently been building up stakes in the UK's 29 statutory water companies before the planned privatisation of the 10 regional water authorities.

Mowat rises and calls for £5m

Mr Brian Dunlop, chairman of Mowat Group, a USM-quoted property developer, yesterday reported a sharp rise in profits for the 1987-88 year.

And at the same time called on shareholders for £5m via a one-for-two rights issue.

The new money would be used to strengthen the profitability of existing activities, expand the property business and reduce current borrowings.

For the year to end-March Mowat increased turnover from £5.9m to £8.8m and lifted pre-tax profits from £0.44m to £1.14m.

Earnings per 10p share emerged at 2.48p (1.31p) and a dividend of 0.5p is proposed.

PROPERTY ISSUE NEWS

First single-asset company listed for 66 years

THE FIRST trading for 66 years on the London market in securities of a single asset property company took place yesterday following the listing of the preferred shares of Billingsgate City Securities.

This marked the tentative emergence of a London unitised property market after five years of discussion and planning. But there was no fanfare. The Billingsgate shares have been traded in Luxembourg for two years and their quotation in London was foreshadowed a year ago.

The shares opened at 113p and moved in a narrow band throughout the day to close at 115p.

The single asset owned by Billingsgate City is a 185,000 square feet office building on Lower Thames Street in the City of London and let to Midland Montagu at an annual rent of £5m with upward-only reviews, the first of which is in 1990.

The building was developed by London and Edinburgh Trust and acquired by S & W Berisford. Baring Brothers and Goldman Sachs in 1986 put together a securitisation package made up of three layers:

- The ordinary shares, all of which are held by Berisford;
- The preferred shares, of which 25.8m were issued at 100p in June 1986;
- Deep discount first mortgage bonds of £52.2m nominal.

The preference shares are entitled to 30.44 per cent of the rental income as dividends, and on redemption 100p plus 30.44 per cent of the gross value of the property.

These shares would have been listed in London earlier had not Billingsgate City hecome involved in bid talks last year. Since the Stock Exchange published its listing requirements in May 1987, there have been no barriers to the quotation of single asset property companies.

It is not clear at this stage whether the Billingsgate shares will be followed quickly by other issues, although the Barkshire Committee, which has sponsored the development of single asset property vehicles said yesterday. "We anticipate further SAPCOs being launched in future as well as other single property investment vehicles."

Once regulations have been finally settled by the Department of Trade and Industry and the Securities and Investmants Board, it is expected that several issues of property income certificates will be launched. But plans to launch single property ownership trusts have been scuppered by taxing difficulties.

Property Partnerships expansion

Property Partnerships, commercial property developer, investor and hotelier, increased its profits from £1.45m to £1.6m pre-tax for the year to end-March.

Earnings amounted to 10p (9.5p) and a proposed final dividend of 3p makes a total of 4.75p (4p adjusted).

Hotel turnover improved to £4.24m (£3.81m). Business at Hotel Norwich was huoyant and despite the loss of more than a quarter of its bedrooms for the last quarter of the year Hotel Nelson still returned higher profits.

BY PAUL CHEESERIGHT

Savills seeks full listing to raise £15m

Savills, the chartered surveyor and estate agent, is to seek a full listing on the London stock exchange next month. It plans to raise up to £15m through the issue of around 30 per cent of its equity.

The company will be the second chartered surveyor to go for a listing since the market crash of last October, following Herring Son and Daw.

There has been a steady trek of chartered surveyors to the market since the end of 1986. Earlier that year the Royal Institution of Chartered Surveyors had opened the way, by permitting surveyors to seek outside sources of capital instead of relying on equity contributions from partners.

Other chartered surveyors are expected to follow suit. The biggest firms like Jones Lang Wootton, Richard Ellis, Hillier Parker and Healey and Baker have not yet shown their hands. But the characteristic of the companies which have taken listings is that they are small or medium sized and anxious to tap new sources of capital for expansion.

Sevills is no exception. Mr George Inge, the chairman, said yesterday that the company has a corporate strategy which requires financing. It now wishes to accelerate expansion and to have the financial weapons at its disposal which would allow it to make acquisitions.

In fact the company has been changing quickly in recent years. A decade ago up to 70 per cent of its activity hinged on agricultural property. Now there is a much better balance - 44 per cent commercial, 29 per cent residential and 27 per cent agricultural.

The commercial property side has been showing the fastest growth - not surprisingly given the property boom of the last two years - and it is this part of the husiness where the expansion prospects are are seen as the best.

This span of business means that in the market Savills will straddle the gap between the chartered surveyors and the avowed estate agents - Connells, Glentree, John D. Wood. But it is also puts the company in touch with the different sets of pressures that are being applied to estate agents and chartered surveyors.

The residential agency business is split roughly equally between London and and the country and both sectors have been strong, Mr Inge said. At the same time the company has been specialising in mixed developments like Chelsea Harbour.

On the commercial property side, chartered surveyors generally have had to face competition from the financial institutions as their property investment business has expanded. They have sought to meet this by offering financial services as part of a total property package.

Savills has a financial services subsidiary, authorised by the Securities Association, and it is this vehicle which it will use in the event of growth in the securitised property market.

The company, which in the year to last April had a turnover of £20m, employs 575 staff in 22 offices. Of these 144 either own shares in the company or have options. This is a wider spread than usual among the chartered surveying companies and itself provides an internal pressure for going to the market.

"There is now a need to put a market value on those shares", said Mr Inge. Indeed, one of the reasons chartered surveyors have been coming to the market is to provide themselves, through devices like share options, with additional means of attracting and holding staff.

Erostin for market with £33m price tag

Erostin, the commercial and residential property development company, besad in Milton Keynes, will next month seek e full listing through e placing of its shares by Hoare Govett Corporate Finance.

The placing will capitalise the group at about £33m. This will be the second strengthening of Erostin's capital base in the past year. In September 1987, Govett Strategic Investment Trust provided a capital injection in return for 20 per cent of the equity.

Last April Erostin had shareholders' funds of £9.4m compared with £2.8m a year earlier.

The group is now seeking financially to underpin its base after e period of rapid expansion, exemplified hy the fact that its development subsidiary had land and work in progress valued at £8.7m in April 1988 against £1m a year earlier.

Pre-tax profits at Erostin in the year to last April were £4.1m after £2.57m in the preceding year. Over the past five years, Erostin said, its profits had shown a compound annual growth rate of 97 per cent.

Erostin is active in commercial property development on the outer ring of London and in the Midlands with the Milton Keynes marina, a Corby retail park, a Hemel Hempstead office project and a high tech development at the former Elstree film studios.

Last year its residential arm built and sold 285 homes and is now looking for developments in the central and west Midlands. The group has made proposals for a new village in Cambridgeshire. It is eachewing London and the South East because of doubts that the high prevailing land prices are sustainable.

Kieran Cooke on a test of competition policy

Irish mull the fate of whiskey

THE I£200m (£171m) takeover battle for the Irish Distillers Group is shaping up into an important test case for competition policy in the republic.

The Irish Government has to decide whether to allow the newly formed GC&C Group, which hrings together Irish offshoots of three of Britain's biggest drinks companies – Allied-Lyons, Grand Metropolitan and Guinness – to proceed with its bid for the world's only producer of Irish whiskey.

The lobbying stirred up by the issue echoes many of the economic arguments, and latent nationalism, produced in Britain by the bids from Nestlé and Suchard for Rowntree.

Last week Mr Albert Reynolds, the Irish Minister for Industry, received formal notification from GC&C of its bid. Copies of the 40-page document have been doing the rounds of Dublin's civil servants as the government considers whether to intervene.

Under the terms of the Irish Mergers, Takeovers and Monopolies Control Act of 1978 the government has a maximum of three months to turn down the bid.

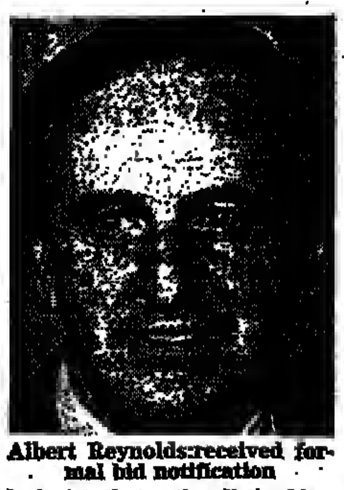
As a first step, it seems virtually certain that the offer will be referred to the Irish Fair Trade Commission. This is governed by a rather vague set of principles relating to monopolies, competition and the national good, and, being a purely advisory body, has rather less power than Britain's Monopolies Commission.

So far, the political debate has developed two main strands. The first is the nationalist argument: opponents of the bid say it would be a pity if such a key component of Irish industry fell into foreign, and worse, British hands. The Irish firmly believe that theirs is the real whiskey – with the distinctive 'e' – rather than "the other stuff" which is always rather contemptuously referred to as Scotch.

Mr Jack Lynch, a former Prime Minister, whose government turned down a Seagrams bid for IDG in the early 1970s, is firmly against GC&C control. "Irish whiskey is a distinctive product. I would not wish to see it in other than indigenous Irish hands," said Mr Lynch, who was also once chairman of IDG. Echoing this theme, an editorial in the influential Irish Times compared IDG falling into the hands of multinationals to losing the National Stud or Aer Lingus.

The second strand concerns the impact of the bid on competition in the Irish economy. Mr John Bruton, a former minister for industry and now deputy leader of the opposition Fine Gael party, says it is worrying that a combination of the GC&C companies, which already have extensive local drinks interests, and IDG "would have about 80 per cent control of both the alcoholic and soft drinks market in Ireland."

He adds: "There are also serious implications in Europe, particularly in regard to control of the whiskey market." However, he insists that nationalistic objections should not come into the argument. "Commercial xenophobia is not healthy under any circumstances" he says.



Albert Reynolds: received formal bid notification

The government is likely to echo such sentiments, not least because in recent years some leading Irish companies have been increasingly acquisitive overseas. They include Jefferson Smurfit, the paper group, which has made some major US bids, Cement Roadstone Holdings and the two big Irish banks, the Bank of Ireland and Allied Irish.

There is a growing realisation that Irish industry must be ready to compete internationally, particulary with the approach of the Single European Market in 1992.

That theme is being played strongly by GC&C, which points out that IDG is still a very small player on the world stage. "What is required is an investment beyond the capacity of Irish Distillers," says Mr Gerry Dempsey, chairman of GC&C.

As for the argument that the takeover would lead to an undesirable concentration of power in the drinks industry, GC&C says it plans to break up the IDG monopoly in the domestic market, by dividing up its brands between the Grand Metropolitan and Allied-Lyons offshoots and making them compete against one another.

But Mr Richard Burrows, IDG's chief executive, says that behind the bid are multinationals which are not interested in the future of Irish whiskey or the good of Irish industry. "They are interested in brand names only. They are not interested in things like bottling, warehousing or distribution. It is basically asset stripping," says Mr Burrows.

How the government will respond to all these arguments is far from clear. But, for what it is worth, Dublin bookies are offering odds of 5/2 in favour of GC&C eventually getting clearance to bid and winning.

UK COMPANY NEWS

Womenswear brand helps Alexon rise to £9.5m

BY ANDREW HILL

Alexon Group, fashion manufacturer and retailer, increased pre-tax profits by 37 per cent to £9.5m in the year to March 26, compared with £6.91m previously.

Turnover rose 20 per cent to £69.9m (£58.2m). Earnings per share advanced to 30.7p (22.91p).

The company does not break down its profits by division, but Mr Peter Wiegand, who has succeeded Mr Eddie Tarr as chairman, said there had been a significant increase in business from the Alexon branded womenswear. Mr Wiegand said sales had risen by over 20 per cent and profits by considerably more.

The clothes are sold in Alexon's small chain of shops and through concessions in large department stores. The number of outlets grew by 10 per cent to 176, and Mr Wiegand expects similar growth this year.

"I would like to increase our branded business both organically and by acquisition, although anything we buy in the next 18 months will be in retailing not manufacturing," he said.

Alexon devoted £4.1m to capital expenditure during the year. It plans to spend in excess of £6m in 1988-89, with more than half on retail development, including store refurbishment and the installation of Electronic Point of Sale equipment.

About 60 per cent of Alexon's sales are to Marks and Spencer, through Claremont, its womenswear manufacturer, and D & H Cohen, the menswear and childrenswear company acquired last year, which was included for five months.

"As Marks and Spencer becomes more of an international brand, there will obviously be opportunities for the suppliers," said Mr Wiegand. The Alexon brand is sold through one shop and 22 concessions in Europe, and there are 10 concessions and three stores in the US.

The company said borrowings had been eliminated over the year, leaving it with a net cash position of just over £1.5m.

The recommended final dividend of 5.5p makes 8p (6p) for the year.

● comment

Alexon seems to have got into a profitable groove. Most analysts expect this trend to continue, although they are forecasting a more conservative growth rate of just over 20 per cent, suggesting pre-tax profits of about £11.5m in 1988-89. Meanwhile, Alexon is applying itself to the integration of D & H Cohen – renamed Claremont Scotland – and the expansion of its own-brand clothing. The company is using the less costly concession sites as a means of researching markets throughout the UK, with a view to spreading its dozen free-standing stores beyond the county and cathedral towns of the south-east. Marks and Spencer remains the dominant costomer, but as Alexon's own brand grows so the retail giant's grip on sales should loosen. Analysts believe the addition of another brand would also help. The shares – down 1p to 397p yesterday – are at a deserved premium to the shares of other textiles manufacturers, on a prospective multiple of about 11.

Bett Bros expands to £0.51m

Bett Brothers, Scottish property developer and housebuilder, reported profits for the half-year to February 29 1988 up 19 per cent from £431,000 to £512,000. Turnover was slightly lower at £7.89m against £8.11m for the same period last year.

After tax up from £151,000 to £199,000, earnings per 20p share rose 12 per cent from 1.87p to 2.09p.

The interim dividend is increased from 1.3p to 1.4p.

Outline planning permission has been obtained for a 320,000 sq ft industrial scheme at Staines, Middlesex, and a number of potential developments are in process in both England and Scotland.

Mr Iain Bett, chairman, said the trend for the second half was favourable.

GRI back in profit

GRI Electronics has turned its previous loss of £23,479 into pre-tax profits of £500,409 for the year to March 31 1988. Turnover rose from £3.39m in tbe comparable 15-montb period to £3.88m.

GRI's ordinary shares are dealt on the over-the-counter market by Chartwell Securities. Mr Graham Miller, chairman, said the aim was to develop into a broad based engineering group.

Reflex doubled

Reflex Investments, Irish supplier of computer equipment, more than donbled pre-tax profits for the year to April 30 from I£237,000 to I£553,000. This was achieved on turnover of £4.28m, compared with £2.69m last time.

The directors have recommended a final dividend of 0.562p.

Ladbroke acquisition

Ladbroke Group has acquired the Schreiber industrial estate at Hoddesdon, Hertfordshire, comprising 22 acres of land fronting the River Lea. Consideration was £8.25m cash.

EVERED HOLDINGS: Demand had continued into 1988 and, if maintained, there was every prospect of another record year.

Harrison rises 35% to record £3.92m

BY GRAHAM DELLER

GROWTH THROUGHOUT the group's operations enabled Harrison Industries, Cheshire-based manufacturer of industrial doors, castings and power transmission equipment, to reveal a 35 per cent expansion in taxable profits for the year to end-March.

Mr Ken Harrison, chairman, said the group had taken advantage of good trading conditions while maintaining profit margins through cost control and was again budgeting for increased activity.

On turnover ahead by 31 per cent to £32.73m, the pre-tax result came out at a record £3.92m, compared with £2.91m. After tax of £1.42m (£1.05m), earnings per 10p share rose to 21.2p (16.5p). A final dividend of 4.75p is proposed, making 6.85p (5.75p) for the year.

The industrial door division had received its largest ever single order for doors destined for the Middle East, Mr Harrison said. Most of the profits on the contract should accrue during the current year.

The castings operation, bolstered through the acquisitions of ASI Castings and F.P. Castings, had moved ahead steadily, while the power transmission activities had achieved a "very pleasing" increase in sales and profit.

Exports were continuing well and the French subsidiary had a good year. The group was investigating several acquisition possibilities, both in the UK and abroad.

Mr Harrison said enquiry and order levels indicated that the targeted progress was achievable. The buoyancy of the construction industry should provide each of the group's divisions with opportunities for growth and produce improved earnings per share.

James Cropper up 23% but warns on margins

James Cropper, paper manufacturer, lifted pre-tax profits by 23 per cent in the year to April 2 1988 from £1.68m to £2.06m. Turnover rose from 29.12m to £32.71m.

The directors recommended a final dividend of 1.45p for a total of 2.125p (1.625p adjusted). Earnings came out at 24.8p (19.9p).

The directors said the order book was full but margins were under pressure due to higher raw materials prices.

COMPANY NEWS IN BRIEF

IMI has signed an agreement with British Aerospace to transfer the business undertaken at Summerfield into the Royal Ordnance rocket motors division. RO will make an initial down payment for the transfer of the IMI subsidiary with IMI drawing benefits from the continuing business over the next 10/11 years.

CLOGAU GOLD MINES: Dealings have been restored following the passing of a resolution approving the acquisition of gold mining interests in Australia and the consent of the Foreign Investment Review Board for dealing in the 24.37m new ordinary shares issued as consideration for the acquisition.

MATTHEW HALL is paying £2m in cash and shares for Stoneligh Developments, an East Sussex based housebuilder. Stoneligh made a £309,000 pre-tax profit for the year ended March 31 1987.

MOSS TRUST, business communications group, announced profits for the six months to February 29 1988 of £132,000 (£12,000) on turnover up 48% to £6.23m (£4.2m). The interim dividend is held at 1p. Having acquired Ash Gupta earlier this week the group is now poised for major expansion. Mr Stuart Pearson, chairman, said the results reflected the continuing recovery in the performance of the group.

POLYMARK TECHNOGRAPHICS, part of Polymark International, has acquired London-based transfer printing operation B & W Transprints for an undisclosed sum. Technographics said this was just the first acquisition in its plan to double the size of its business through organic growth and acquisitions.

ROCKWOOD has acquired Brooksight International for an initial £300,000 in cash and a deferred £267,000 payable in or before June 1990. Brooksight's two main operating subsidiaries areengaged in vehicle leasing and security and container recovery.Booksight had net assets at end May 1988 of £156,000 as adjusted for repayment of shareholders' loans.

M & G SECOND Dual Trust: asset value of the 4p capital shares stood at 399.1p at the end of the year to May 31 1988, compared with 427.5p at the end of the previous year. Net revenue for past year was £1.56m (£1.35m), equal to earnings per 10p income share of 15.58p (13.55p). A final dividend of 7.63p per income share makes a total of 15.58p (13.55p).

SAVE & PROSPER: Return of Assets Investment Trust net assets were £55.9m at end-May. Net asset value at that date was 255.7p before conversion of warrants and 229.7p treating the warrants as exercised. S&P Linked Investment Trust net assets amounted to £48.6m at May 31. Net asset value 913.4p.

BROWN & JACKSON has conditionally agreed to buy Lederbec, merchandiser and distributor of impulse consumer health foods. Initial consideration will be £500,000, to be satisfied by the issue of £500,000 preference convertible into Brown & Jackson ordinary 1991 on a one-for-one basis. A further profit-related payment of £1.04m may be made.

WYNDHAM GROUP is acquiring freehold premises known as the Albert Close Trading Estate, Whitefield, Manchester for £1.25m – £1m in cash and by the issue of 125,000 ordinary at £2.

OXFORD VIROLOGY, a biotechnology company, intends to raise £3.5m through a private placing. The placing of 875,000 new shares at 400p per share is being prepared by CIBC Securities Europe.

ANNUAL MEETINGS

BELHAVEN annual meeting was told that profits for the first half year should be ahead of 1987. Mr Raymond Miquel, chairman, said the company intended to add a further 15 restaurants to the 99 in its Garfunkels chain this year. The £2.4m development of its brewery at Dunbar was completed.

BLOCKLEYS, the Telford-based brick and paving manufacturer, is to expand its production facilities with a £3m project which will dooble the capacity of its plant. Mr T J Wright, chairman, said that this should increase brick production by 17m a year.

DAVIES & NEWMAN chairman Mr Frederick Newman reported that Dan-Air, the largest company in the group, has been granted the licence to fly from Gatwick to Paris from October 23. Dan-Air currently operates scheduled services on 38 rontes, of which 18 are from London. Dan-Air's activities cover a broad spectrum of the airline industry, be said, and it was the company's aim to exploit its advantages to maintain steady growth.

EMPIRE STORES (Bradford), with current trading doing well, was producing profit within expectation. Mr John Gratwick, chairman, told shareholders that he was confident of reporting a significant improvement in profit at the year end, and expected to finish tbe season with sales increases, in percentage terms, well into double figures.

BDA HOLDINGS: Trading in the first four months of the current year had progressed well, in accordance with directors' expectations.

EIS GROUP: orders, sales and profits were ahead of budget in the first four months of 1988.

COMMODITIES AND AGRICULTURE

Opec pact roll-over may be only possible result

BY RICHARD JOHNS IN VIENNA

A ROLL-OVER of Opec's current pact on output limitation yesterday seemed to be the only possible outcome of a ministerial conference resigned to the fact it has to defer debate and decisions on other outstanding contentious issues.

Mr Gholamreza Aghazadeh, Iran's Minister of Oil, yesterday said extension could be three or six months. Other delegates confirmed this was the area of discussion at a meeting likely to end tonight.

The Iranian chief delegate also threatened that Iran would go its own way if the problem of Iraq's exclusion from any accord on collective production and individual quotas, backed by its Arab allies in the Gulf, were not solved.

As bilateral contacts amongs ministers took place yesterday there seemed to be general agreement that further discussion on the complex question relating to the definition of crude oil would have to be postponed.

There was also a general recognition that there could be no resolution, at the meeting this week, of differences between the majority of eight wanting strict curbs on output and the four conservative Arab producers of the Gulf which say curbs could be eased.

Opec's contorted efforts to present a plausible face to a jittery market had been been belped by the first explicit rejection of its quota by the United Arab Emirates, the most flagrant and unashamed violator of its output quota set at the end of 1986.

On Sunday nigbt Dr Mana Ortaiba, its Minister of Oil, said the entitlement agreed was not realistic.

Asked if Iran would continue to accept Iraq's freedom of action, Mr Agazardi replied: "It depends for how long."

"Because approaches to a settlement [of the Iraqi problem] are still politically motivated," Iran would still insist on a quota twice as large as that of Iraq, he said.

His implication appeared to be that Iran might be prepared to contemplate a parity of entitlement with its enemy under certain conditions.

One would certainly be an end to provision to Iraq by Sandi Arabia and Kuwait of about 300,000 barrels a day of so-called war-relief crude from the Neutral Zone, shared between the two.[

Saudi Arabia and Knwait refused to recognise output from the area as part of their quota. In the lobbies the zone is now known as the pbantom 14th member of Opec, which has no delegates here.

Saudi Arabia and Kuwait are Iraq's main allies in its conflict with Iran, now approaching the end of its eighth year. The two heavyweight Gulf producers are also suspected by other members to be aiming for an oil price of less than the $18 a barrel set by Opec as a common objective at the end of 1986.

Under Opec's existing output pact 12 members agreed to limit collective volume to 15.06m b/d. Iraq opted out and has been producing at a rate of 2.6m b/d.

OIL PRICES continued to sag yesterday on international markets as traders responded to tbe continned discord among oil ministers meeting in Vienna, writes Steven Butler.

Brent crude cargoes for delivery this month were off 31 cents yesterday, to $15.54. These were the lowest prices since mid-March when markets were jolted by an unexpected meeting of the Opec prices committee. Brent prices fell by 52 cents price on Friday.

July futures for West Texas Intermediate crude on the New York Mercantile Exchange were off 26 cents at $16.47 a barrel in mid-day trading.

The wrangling among Opec ministers comes amid signs oil stocks in developed nations are at seasonal highs, thus rednciug the likelihood of substantial stock builds in the third quarter.

Doubts have also emerged over whether the rise in oil consumption seen in this first quarter will prove sustainable.

Canadian wheat hit by drought

By David Owen in Toronto

DROUGHT AFFLICTING Canada's grain helt has precipitated a rednction of daliveries to the Canadian Wheat Board, forcing the country's only wheat exporter to cut the rate of weekly shipments.

The number of grain-laden freight-wagons moving to Great Lakes and west-coast ports has been about halved from the mid-May level.

The board hoped the measures would be temporary, but the move has jeopardised Canada's chances of exporting record quantities of wheat in the 1987-88 crop year ending July 31.

Prairie grain-elevators operate, on average, at about 70 per cent of capacity at this time of year. However, they are reported to be barely 40 per cent full as farmers hold back delivery because of rising prices and possible feed shortages.

The drought, recent rains notwithstanding, has already lowered expectations regarding prospects for the 1988-89 crop year. "Next year we will have less grain to sell," the board predicts.

Members owe Tin Council £5.7m

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE INSOLVENT International Tin Council, which has debts of about £900m, is owed more than £5.7m in some member-states' unpaid contributions.

The largest amounts are due from Nigeria, £2,739,342, and Zaire, £2,555,258. Smaller amounts are due from Greece, Indonesia, Malaysia and France, and from a formsr member, Bolivia.

Nigeria owes £2,733,248 to the council's tin-trading buffer-stock account and £6,094 to the administrative account. Zaire owes £2,480,814 to the buffer-stock account and £74,444 to the administrative account of which £53,652 relates to the period 1983-87.

The buffer-stock account is owed £189,604 by Greece and £28,819 by Bolivia.

Sums owed hy Nigeria, Zaire and Bolivia to the buffer-stock account remain dne under the fifth International Tin Agreement which ended in 1982.

Greece also owes £8,783 to the administrative account for tha year 1986-87. Others with unpaid contributions to that account for the current year ending June 30 are Indonesia (£94,159), Malaysia (£84,430) and France (£37,898).

The figures in relation to the state of the accounts as at June 3 ere containad in evidence produced by the council in response to court orders that it disclose the nature, value and location of its worldwide assets to Maclaine Watson, a London Metal Exchange trader and £6m judgment creditor of the council.

The evidence shows that the buffer-stock account has £7,599 cash-in-hand, £15,382 held by the council's solicitors, £180 sundry debtors and about £2,800 in furniture and equipment.

In addition, the buffer-stock account is owed the £189,560 balance of a loan to the administrative account, and £50,550 interest.

The loan was made in 1980 to acquire leasehold premises in London for the conncil's headquarters. It was repayable in qnarterly instalments. No instalments have been paid since October 1985 when the council collapsed.

Last week the High Court ordered that £114,330 liquid assets in the administrative account be transferred to tha buffer-stock account to cut the loan indebtedness.

In addition to the liquid assets – £62,116 in banks and £52,214 cash-in-hand – and £305,808 in unpaid contribntions, the administrative account includes £21,032 owed by debtors, about £20,000 in furniture, equipment and motor vehicles, and the council's leasebold premises value of which is stated to be uncertain.

Buffer-stock account assets also include 36,421 tonnes of tin, representing the balance of the council's tin held or claimed by way of security or lien by creditors.

Those creditors include Bank Bumiputra Malaysia (11,735 tonnes), Bank of Tokyo (6,250 tonnes), Malaysian Banking (5,951 tonnes), Algemene Bank Nederland (5,640 tonnes) and Shearson Lehman Bros (3,330 tonnes).

Members' contributions to the buffer-stock account are decided at the start of each succeeding International Tin Agreement, the current agreement being ITA Six operating since mid-1982.

The size of each country's contribution is determined by the amount of tin it produces or consumes and the floor price of tin at tha date when the contribution becomes due.

Similar percentage contributions are made to the administrative account under its annual budget.

Under ITA Six 50 per cent of contributions come from the six tin-producing members. Those with the largest liabilities are the largest producers: Malaysia (20.4 per cent) and Indonesia (12.5 per cent).

The contributions of Nigeria and Zaire, both of which are tin producers, are 0.9 per cent and 0.8 per cent respectively. Those of France and Greece, both tin consumers, are 5 per cent and 0.2 per cent respectively.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)

tonnes		
Aluminium standard	+6,970	to 47,500
Aluminium high grade	+6,050	to 28,850
Copper	+4,375	to 74,325
Lead	+200	to 41,500
Nickel	+665	to 3,612
Zinc	-725	to 36,700
Tin	-195	to 16,720
Silver (oz).	+32,000	to 16,938,000

Kenneth Gooding in Vienna reports on gold market overviews

Perestroika may affect precious metals

THERE WAS a reminder yesterday that the countries with most to gain or lose from gold-price movements are South Africa and the Soviet Union, respectively the world's biggest and second-biggest producers.

For there are few occasions when their senior representatives sit side by side – but they do at gold conferences.

As glasnost's spirit has advanced so there has has been great demand for Mr Eugene Uljanov. He is general manager of the treasury division of the Soviet Union's Bank for Foreign Economic Affairs, which has sole legal authority to sell Soviet gold on international markets.

It would be expecting too much for him to make any significant revelations bnt yesterday he mada a telling point.

He snggested that if perestroika, the Soviet Union's efforts to improve its domestic economy by restructnring, succeeded, the country would have more room to manoeuvre when deciding in what quantity and when to sell gold. It could wait for suitable market conditions.

He said: "I think that will be balpful for the development of the international precious metals markets."

He was pressed, as usual, to give statistics about Soviet gold output, use and so on. He asked, good humouredly, in return "where is the benefit for us in giving such information?"

There was no such reticence about statistics from Mr Tom Main, assistant general manager, Chamber of Mines of South Africa. He charted the gradual fall in his country's gold output from the peak 1,000 tonnes in 1970 to 60 tonnes last year.

However, he insisted South Africa would remain the world's largest producer well into the 21st century.

He said the chamber's official forecast was for output to rise by 3.8 per cent a year, to 720 tonnes by 1992, and then stabilise until

FT CONFERENCE World Gold

the middle of the decade. His personal view was that output of 660 tonnes by 1992 and of 680 tonnes by 1995 was more likely.

Gold exploration in South Africa had risen in the past five years because of the high US dollar price – he listed new mines with projected combined output of 33 tonnes a year by 1995 – and suggested entrepreneurial groups mining at low depths or in open pits would feature in the country's growth.

He said it was almost impossible to estimate the loss of output caused by the three-week miners' strike last year. The impact was still being felt because some deep mines were not yet back to normal.

He said the strike produced no winners. He refuted an implication by Mr Ferdinand Lacina, Austria's Federal Minister of Finance, that South Africa's armed forces intervened.

Mr Lacina suggested gold's monetary role was a thing of the past. Hoarding precious metals hnd unfavourabla macroeconomic consequences in that it took investment money from circulation. The position was worsened if a country also imported gold. However, "we have to admit that any investment-portfolio manager has to think about having a gold content."

Mr Timothy Green, consultant to Consolidated Gold Fields on the Middle East, Far East and South American markets, said that, in spite of official protests abont gold's monetary role, central banks had been net buyers of 709 tonnes in the 1980s and that trend was likely to continue for some years.

South Korea, which had only 10 tonnes of gold, worth $140m, in its reserves and was generating a surplus of $10bn a year, might follow Taiwan as a big buyer for its reserves.

He said: "One reason for some official buying in the Far East has been to try to balance their trade with the US [the gold for both Japan and Taiwan has largely been shipped from the US]. But that of course is entirely in keeping with the old-fashioned gold standard – a nation in deficit lost gold. The difference is this gold is not out of US reserves."

Three delegates tonched un gold loans, which became a popular form of mining-industry finance after stock-markets crashed last October.

Mr Robert Guy, director of N.M. Rothschild & Sons, said the gold-loan market had grown but the chance of extending fixed-rate loan commitments for ever-lengthening maturities did not exist.

There were almost no long-term lenders of gold because there were few investors or consumers who wished or needed to enter into fixed-priced contracts for many years ahead, he said.

Mr Rolf Willi, general manager and treasurer, Dresdner Bank, said companies no longer argued that their shareholders were interested in a purely gold-related investment and it would be wrong to hedge any part of the gold price.

Apart from gold loans, the banking community had available to it "a range of instruments to enable the mining financier to provide tailor-made solutions to almost any financial requirement."

The only speaker to tackle head on the question of where the gold price might be heading was Mr Brian Marber, the chartist who heads the company of the same name.

He said gold had recently behaved as never before bnt appeared to have set itself up for a fall in all major currencies. This would he even more probable if the price fell to $463 an ounce or lower

Howaver, Mr Julian Baring, gold analyst with James Capel, said gold was still relatively cheap compared with equities.

West German farm minister in challenge on prices

BY TIM DICKSON IN LUXEMBOURG

MR IGNAZ KIECHLE, West Germany's agricultural minister, has effectively cballenged tbe European Commission to sort out the political tangle over this year's farm prices.

Mr Kiechle, acting as rotating president of the EC Farm Council, studiously omitted to make any recommendations for agri-monetary change when he tabled his much-awaited compromise in Luxembourg yesterday.

Most observers, though, are convinced there can be no overall deal on a farm-price package unless concessions are made to those weak currency countries, that is Denmark, Portugal, Italy, France and the UK, demanding devaluations of their so-called green currencies.

Green currencies are used to translate common Ecu-denominated prices into international money. Devaluing them has the effect of raising the guaranteed prices paid by the EC in local currencies as well as reducing or eliminating border taxes and subsidies known as monetary compensatory amounts (MCAs).

Mr Kiechle's no doubt practical move puts all the pressure on Mr Frans Andriessen, EC Agricultural Commissioner, who has consistently warned there is little or no budgetary room for these types of manoeuvre.

Yesterday he said the EC had to respect the budgetary guideline for agricultural spending agreed at the Brussels summit hnt that, more importantly, it had to give a clear and consistent signal to producers.

All the signs late last night showed that farm ministers were settling in for a hard negotiation likely to last much of this week.

Mr Andriessen, outwardly maintaining his tough stance, nevertheless hinted at possible movement by saying he could do nothing until he had consulted his fellow-commissioners. This was interpreted as a sign that the matter will probably be discussed at today's full meeting of the European Commission in Strasbourg.

Mr Kiechle's compromise paper contains several detailed changes, notably to the commission's proposals for the cereals sector.

The West German presidency suggests, for example, that so-called monthly increment payments, designed to encourage producers to look for a market outlet rather than selling early in the season to intervention stores, should only be cut by 15 per cent, not 50 per cent. Similar payments to oilseed producers should be cut by only 10 per cent.

The maximnm moistnre content for cereals taken into intervention – reduced to 14.5 per cent under the commission's plan – would go back to 15 per cent, and up to 15.5 per cent in exceptional cases if Mr Kiechle's suggestion wins the day.

Mr Kiechle also thought for the moment to diffuse the row over the proposed introduction of an incorporation premium, to be paid to the compound feed industry as an inducement to use cereals rather than imported cereal substitutes in its production.

Under the West German plan the council would not have to decide on this until October 31, thus postponing the main argument to another day.

Locust invasion 'to worsen'

A LOCUST infestation threatening food supplies in north and west Africa is expected to worsen during this month and next, and UN officials say the invasion is the worst there in 30 years, Reuter reports from Mauritania.

Mr Lukas Brader, director, UN Emergency Centre for Locust Operations, told a weekend meeting at Nonakchott tbat swarms would reprodnca in the Maghreb in June and July. More insects would then enter Sahelian countries.

Most Sahelian countries had beeu invaded. The area concerned was so vast it would be almost impossible to control infestation.

Brokerage to serve Nymex energy marts

GERALD COMMODITIES and Atlantic Oil Traders yesterday announced they had formed a joint-venture called Worldwide Energy Brokerage, writes Our Commodities Staff.

It will provide floor broking services to professional users of the New York Mercantile Exchange energy markets.

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE METAL prices went into reverse on the LME yesterday, closing well down and continuing tha declina into kerb trading. The premiums for cash metal narrowed, particularly for copper, zinc and aluminium – a move which triggered a general downward correction after the recent sharp rises. Cash zinc wiped out all last week's gains, falling £52.50 to £741 a tonne at the close, while copper reacted even more sharply, shedding £126.50 to £1,431 a tonne. The premium for cash zinc narowed to £42.50 compared with £62 a tonne on Friday, and for copper to £155 from Friday's £226 a tonne. The unsettled trading followed the morning's announcement of a general rise in base metal stocks at LME warehouses. Meanwhila, gold bullion followed Friday's sharp New York decline, closing below $450 an ounce. Coffee prices also declined as the prospect of mild weather in Brazil this week shook out speculators on both sides of the Atlantic.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.95-4.05u	-0.075
Brent Blend	$15.50-5.58u	-0.31
W.T.I.(1 pm est)	$16.43-6.48u	-0.42
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$190-192	-3
Gas Oil (Soviet)	$132-135	-2.8
Heavy Fuel Oil	$70-71	-3
Naphtha	$154-156	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$449.25	-8.00
Silver (per troy oz)♣	704c	-12
Platinum (per troy oz)	$568.25	-13.50
Palladium (per troy oz)	$126.50	-2.50
Aluminium (free market)	$4280	+100
Copper (US Producer)	118¾-123c	+3.875
Lead (US Producer)	35.5c	+0.5
Nickel (free market)	700c	
Tin (European free market)	£3880	-30
Tin (Kuala Lumpur market)	18.12r	-0.04
Tin (New York)	330.5c	-1.0
Zinc (Euro. Prod. Price)	$1170	
Zinc (US Prime Western)	63.5c	+3.375
Cattle (live weight)†	118.70p	+0.65*
Sheep (dead weight)†	203.50p	-30.60*
Pigs (live weight)†	71.72p	+0.35*
London daily sugar (raw)	$261.0y	
London daily sugar (white)	$266.0y	
Tate and Lyle export price	£251.0	
Barley (English feed)	£102.5z	
Maize (US No. 3 yellow)	£136.5	
Wheat (US Dark Northern)	£114.25y	+2.25
Rubber (spot)♥	61.5p	-1.5
Rubber (July)♥	86.5p	-1.5
Rubber (Aug)♥	87.0p	-1.5
Rubber (KL RSS No 1 July)	382.0m	-1.0
Coconut oil (Philippines)§	$570y	
Palm Oil (Malaysian)§	$445u	
Copra (Philippines)§	$396	
Soyabeans (US)	£197	
Cotton "A" index	68.0c	+0.1
Wooltops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-July. x-Jul/Aug. s-Jul/Sep. z-Aug. y-Jun/Jul. q-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Jly	901	906	902	894
Sep	925	928	924	913
Dec	954	956	954	943
Mar	978	978	978	967
May	998	996	989	987
Jul	1018	1016	1010	1004
Sep	1038	1035	1030	1025

Turnover: 2886 (3160) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 10: 1193.78 (1195.24) .10 day average for Jun 13: 1219.21 (1225.33)

COFFEE £/tonne

	Close	Previous	High/Low	
Jly	1098	1140	1120	1095
Sep	1110	1152	1137	1100
Nov	1120	1164	1148	1117
Jan	1133	1181	1158	1133
Mar	1149	1195	1165	1149
May	1170	1215	1170	

Turnover: 4330 (6358) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 10: Comp. daily 1979 122.20 (123.04); 15 day average 118.77 (118.43).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Aug	223.60	227.00	230.80	223.80
Oct	216.60	222.60	224.60	218.60
Dec	222.00	223.00	224.20	223.00
Mar	217.20	221.90	222.80	217.00
May	217.60	221.00	222.00	
Aug	218.00	123.00	223.00	
Oct	218.00	230.00	222.60	

White	Close	Previous	High/Low	
Aug	261.00	262.00	264.00	250.00
Oct	250.00	253.50	254.50	250.50
Dec	250.00	253.00	253.20	252.50
Mar	252.00	256.50	256.50	252.00
May	252.50	256.50		
Aug	253.00	258.00		
Oct	253.50	259.00	256.50	

Turnover: Raw 4809 (4386) lots of 50 tonnes; White 1643 (1019).
Paris- White (FFr per tonne): Aug 1504, Oct 1470, Dec 1470, Mar 1498, May 1498, Aug 1500

GAS OIL $/tonne

	Close	Previous	High/Low	
Jul	124.00	139.00	134.50	133.00
Aug	134.00	136.25	134.75	133.25
Sep	135.00	137.75	136.00	134.50
Oct	136.00	138.75	136.50	136.50
Nov	137.25	139.75	137.25	136.00
Dec	138.00	140.50	138.00	137.90
Jan	138.25	143.25	138.25	
Feb	138.75		138.75	

Turnover: 6760 (11007) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jly	106.25	106.90	106.50	106.25
Sep	106.70	104.95	106.15	105.70
Nov	107.80	107.15	108.25	107.75
Jan	110.00	109.35	110.40	110.00
Mar	111.85	111.35	112.35	111.85
May	114.40	113.65	114.85	114.40

Barley	Close	Previous	High/Low	
Sep	101.10	100.80	101.50	101.10
Nov	103.40	103.15	103.75	103.40
Jan	105.85	105.55	106.15	105.85
Mar	108.20	107.90	108.20	
May	110.25	109.95	110.50	109.25

Turnover: Wheat 169 (192) , Barley 57 (18) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	4070-90	4195-215		4270-90		
3 months	2880-900	2950-70		2920-50	2870-90	6,048 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 43,600 tonne
Cash	2230-50	2310-20	2348/2310	2348-50		
3 months	1575-80	1619-20	1605/1552	1595-605	1564-6	53,592 lots
Copper, Grade A (£ per tonne)						Ring turnover 40,525 tonne
Cash	1430-2	1555-60	1519/1432	1511-3		
3 months	1275-7	1331-2	1323/1262	1321-2	1262-3	70,237 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1270-80	1300-20		1320-5		
3 months	1230-40	1280-90		1275-85		49 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	697-700	707-10		694-6		
3 months	709-12	719-22		705.5-8	712-5	716 lots
Lead (£ per tonne)						Ring turnover 14,300 tonne
Cash	388-90	401-3	402/393	391-3		
3 months	364-5	374.5-5	361/348	369-70	356-7	11,121 lots
Nickel ($ per tonne)						Ring turnover 1,002 tonne
Cash	15800-6000	16200-400	15900	15850-950		
3 months	14400-500	14800-50	14500/14400	14400-500	14400-600	6,182 lots
Zinc (£ per tonne)						Ring turnover 30,500 tonne
Cash	740-2	792-5	755	756-8		
3 months	698-9	731-2	722/695	714-5	696-7	20,807 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	94.0	91.5	94.0	92.0
Feb	102.5	101.0	100.0	
Apr	145.9	137.0	146.5	141.0
May	155.9	147.0	155.0	151.5

Turnover: 718 (197) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Aug	168.50	171.00	172.60	168.00
Oct	168.50	171.50	174.00	168.00
Dec	171.00	173.50	176.50	
Feb	174.00	176.00	177.00	
Apr	174.00	176.50		

Turnover: 225 (441) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jly	1265.0	1290.0	1320.0	1261.0
Oct	1378.0	1400.0	1420.0	1374.0
Jan	1400.0	1420.0	1425.0	1395.0
Apr	1441.5	1445.0	1445.0	1250.0
Oct	1349.0		1349.0	
BFI	1283.5	1284.5		

Turnover: 210 (573)

TEA
THERE WERE 22,533 packages on offer in this weeks sale, including 2,800 in the offshore section, reports the Tea Brokers' Association. A fair demand prevailed. Best liquoring East Africans were again well supported at firm rates but mediums were very irregular throughout. Central Africans ruled firm except for the plainest. Ceylons came in for improved general demand particularly brighter liquoring teas from western districts which were dearer, often substantially. Offshore teas met fair enquiry at irregularly easier rates. Quotations: quality 148p (same) medium 100p (same) low medium 74p (same).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	449-449½	247-247½
Opening	450½-451	247-247½
Morning fix	450.5	246.849
Afternoon fix	449.0	246.324
Day's high	453¾-454¼	
Day's low	447¼-447¾	
Coins	**$ price**	**£ equivalent**
US Eagle	462½-467½	254½-257½
Mapleleaf	462½-467½	254½-257½
Britannia	462½-467½	254½-257½
Krugerrand	445-451	246½-248
1/2 Krug	234-243	128⅞-133¾
1/4 Krug	116-124	63⅞-68¼
Angel	461-466	253¾-256½
1/10 Angel	47-52	25⅞-28⅝
New Sov.	105½-108½	58-58¾
Old Sov.	105½-107	58-59
Noble Plat	585.65-93.3	321.1-25.35

Silver fix	p/fine oz	US cts equiv
Spot	382.95	698.00
3 months	391.20	711.80
6 months	399.85	725.50
12 months	417.45	754.80

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sept	July	Sept
2900	282	266	68	242
2950	180	222	125	325
3100	120	170	205	420
Aluminium (99.5%)	**Calls**		**Puts**	
2800	286	269	81	256
2950	197	206	142	342
3100	129	157	223	440
Copper (Grade A)	**Calls**		**Puts**	
2300	225	179	52	212
2450	135	124	111	305
2600	74	84	199	412

US MARKETS

PRECIOUS METALS traded narrowly, closing higher on the day on a combination of short-covering and local buying, with trade selling evident at the highs, reports Drexel Burnham Lambert. Copper eased on profittaking and mixed long-liquidation. Energy futures reacted to an apparent disarray at the current O.P.E.C. meetings, easing on local selling, but holding technical support areas with light trade buying. Coffee fell on a combination of arbitrage selling and speculative long-liquidation as fears concerning the weather in Brazil subsided. Cocoa was higher on speculative short-covering in the face of trade scale-up selling. Sugar eased, more under the influence of outside markets, especially soyabeans, in a market devoid of significant news. Forecasts of rains over the next few days, especially in the spring wheat areas, saw Minneapolis wheat fall sharply, which, combined with good harvesting, lack of export business and good yields, also depressed both the Chicago and Kansas City markets. The soyabean complex also came under pressure from the forecasts, while maize was nervous.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	449.6	449.1	450.3	448.5
Jul	450.8	450.1	451.5	451.5
Aug	453.8	453.3	454.3	452.4
Oct	458.8	458.3	459.3	457.4
Dec	464.0	463.5	464.5	462.5
Feb	469.4	468.9	469.0	469.0
Apr	474.9	474.4	0	0
Jun	480.4	479.9	0	0
Aug	486.2	485.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jun	575.2	571.4	0	0
Jul	578.7	572.9	579.4	570.5
Oct	583.0	579.4	585.5	577.5
Jan	590.5	586.9	533.0	584.5
Apr	598.0	594.4	0	0
Jul	605.5	601.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	702.5	698.5	0	0
Jul	705.5	701.5	709.0	698.5
Aug	710.3	706.4	712.0	709.0
Sep	715.1	711.2	718.9	709.0
Dec	729.7	726.2	734.0	723.0
Jan	734.5	731.1	0	0
Mar	745.1	741.8	747.0	738.0
May	755.9	752.7	766.0	750.0
Jul	767.1	764.0	0	0
Sep	778.4	775.4	775.4	775.4

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	112.15	114.25	112.25	111.90
Jul	107.65	109.10	109.60	104.70
Aug	102.90	104.50	0	0
Sep	98.15	99.90	100.80	95.70
Dec	89.15	190.50	91.10	87.90
Jan	87.15	188.00	0	0
Mar	83.18	183.35	83.50	81.50
May	80.40	79.80	60.00	79.00
Jul	79.50	78.90	77.90	77.90
Sep	78.60	77.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	16.48	16.70	16.58	16.41
Aug	16.58	16.81	16.60	16.50
Sep	16.61	16.78	16.68	16.54
Nov	16.66	16.80	16.68	16.61
Dec	16.65	16.80	16.71	16.60
Jan	16.63	16.77	16.68	16.58
Feb	16.68	16.74	16.68	16.62
Mar	16.60	16.71	16.65	16.50
Apr	16.60	16.67	16.60	16.50

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	4375	4425	4395	4345
Aug	4420	4469	4445	4400
Sep	4400	4544	4520	4485
Nov	4650	4685	4665	4635
Dec	4719	4756	4740	4705
Mar	4600	4610	4610	4550
Apr	4510	4503	4510	4510

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1562	1538	1564	1536
Sep	1587	1563	1590	1564
Dec	1616	1595	1619	1595
Mar	1650	1631	1650	1635
May	1675	1655	0	0
Jul	1700	1678	0	0
Sep	1725	1701	1715	1710

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	136.30	138.53	137.86	135.55
Sep	138.15	140.19	139.35	136.90
Dec	140.20	142.14	141.00	139.40
Mar	140.38	142.40	141.50	139.60
May	141.00	142.75	139.75	139.75
Jul	141.50	143.25	142.00	142.00
Sep	144.00	144.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.69	10.00	10.01	9.67
Oct	9.65	9.90	9.95	9.63
Jan	9.65	9.90	0.95	9.95
Mar	9.61	9.70	9.85	9.61
May	9.63	9.76	9.83	9.60
Jul	9.64	9.74	9.84	9.64
Oct	9.62	9.80	9.81	9.60

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	66.55	66.22	66.85	65.72
Oct	65.42	64.47	65.48	64.60
Dec	64.04	63.13	64.20	63.25
Mar	64.35	63.65	64.80	64.15
May	64.65	63.75	64.50	64.30
Jul	64.65	63.66	65.00	65.00
Oct	62.65	61.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	175.70	174.60	176.65	174.90
Sep	171.70	169.30	172.25	170.40
Nov	160.80	169.40	161.10	160.00
Jan	156.00	154.70	158.00	155.50
Mar	155.70	154.20	156.25	156.25
May	155.10	153.75	0	0
Jul	154.80	153.70	0	0
Sep	154.80	153.75	0	0
Nov	154.80	153.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

June 10	June 9	mnth ago	yr ago
1930.1	1898.0	1765.2	1602.0

DOW JONES (Base: December 31 1974 = 100)

Spot	136.52	138.66	131.70	129.98
Futures	141.62	142.20	134.39	129.16

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	877/0	884/0	893/0	862/0
Aug	882/0	889/0	899/0	867/4
Sep	881/4	888/0	891/0	868/0
Nov	881/0	888/0	898/0	866/0
Jan	886/0	890/4	902/0	872/0
Mar	886/0	886/0	889/0	877/4
May	876/4	885/0	885/0	870/0
Jul	866/0	873/0	879/0	859/0
Nov	713/6	718/0	721/0	710/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	25.01	25.37	25.55	24.90
Aug	25.26	25.52	25.75	25.12
Sep	25.51	25.85	25.95	25.42
Oct	25.75	25.97	26.10	25.75
Dec	25.97	26.17	26.35	25.90
Jan	26.00	26.17	26.30	26.00
Mar	26.02	26.10	26.25	26.00
May	26.05	25.95	26.25	25.80
Jul	25.90	26.10	25.90	25.80
Aug	25.90	26.00	25.90	25.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	282.2	284.0	286.0	277.0
Aug	280.0	282.5	285.0	275.5
Sep	277.2	280.5	283.0	274.0
Oct	274.7	280.0	281.5	272.0
Dec	274.2	277.5	280.0	270.5
Jan	271.0	276.0	276.0	270.0
Mar	270.5	274.0	273.0	267.0
May	270.5	273.0	272.0	268.0
Jul	270.0	273.0	271.0	268.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	259/4	257/6	261/0	254/4
Sep	267/4	265/4	269/4	263/0
Dec	279/6	278/2	281/0	274/0
Mar	286/2	284/4	287/0	281/0
May	289/4	286/4	291/0	285/4
Jul	290/0	289/0	292/0	287/0
Sep	268/0	267/2	269/0	264/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	369/6	379/6	374/0	367/0
Sep	378/0	389/0	383/0	376/0
Dec	388/6	392/2	392/0	386/0
Mar	390/0	394/0	393/0	387/6
May	372/0	374/0	380/0	372/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	71.85	72.32	72.25	71.65
Aug	65.80	66.22	66.25	66.82
Oct	65.72	68.45	66.55	65.40
Dec	67.77	68.55	68.45	67.52
Feb	69.07	69.52	69.60	68.85
Apr	70.95	71.50	71.30	70.95

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	51.55	01.10	51.85	51.10
Jul	50.47	50.35	50.90	50.40
Aug	48.22	48.55	49.00	48.16
Oct	44.15	44.45	44.86	44.15
Dec	46.30	46.47	46.80	46.12
Feb	48.20	48.70	48.97	48.00
Apr	45.30	45.76	46.00	45.25

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	48.35	50.07	50.63	48.30
Aug	47.57	49.50	50.10	47.50
Feb	60.65	62.25	62.65	60.50
Mar	60.45	62.00	61.55	60.65
May	60.15	01.45	62.00	60.15
Jul	00.35	61.35	61.80	60.35

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar await data

STERLING RETAINED its attraction as a short term hold, ahead of US April trade figures, due for release today. It opened firmer, after favourable weekend comment about the UK economy, but dealers stressed that sterling's performance for the rest of the week was still largely dependent on the US trade figures. A deficit below $12bn was expected to boost dollar demand and drain funds away from sterling. A poor figure could have the opposite effect, and put renewed downward pressure on UK interest rates.

Sterling moved above DM3.1400 in the morning but came back to finish at DM3.1325, still well up from DM3.1250 on Friday. Against the dollar it was little changed at $1.8165 from $1.8170. In yen terms it rose to Y227.25 from Y227.0, and finished elsewhere at SFr2.6200 from SFr2.6100 and FFr10.5825 compared with FFr10.5525.

On Bank of England figures, the pound's exchange rate index finished at 77.1, having opened at 77.2 from Friday's close of 76.8.

UK producer prices rose by 0.3 p.c. in May on the output side, much in line with a median forecast of a 0.4 p.c. increase, but input prices rose by 2.0 p.c., double the expected rise. UK retail sales for May rose by 0.2 p.c. against forecasts centred on a 0.4 p.c. increase.

The dollar opened on a firmer note and managed to hold on to most of its gains. Sentiment improved after comments by Mr Manuel Johnson, vice-chairman of the US Federal Reserve Board, that economic fundamentals supported upward movement in the dollar. This followed his weekend statement that some rise in the dollar could be tolerated, as long as it did not hurt US export growth.

However traders pointed out that these comments will help the dollar only if April's trade figures are favourable, and are likely to be ignored if the deficit widens significantly.

The dollar closed at DM1.7250 from DM1.7195 and Y125.15, up from Y124.90. Elsewhere it finished at FFr5.8250 from FFr5.8075 and SFr1.4425 compared with SFr1.4370. On Bank of England figures, the dollar's exchange rate index rose from 93.5 to 93.7.

The French franc lost ground initially, after the Socialists had failed to gain an overall majority in Sunday's election. While dealers acknowledged that a hung parliament could lead to uncertainty over economic policy and greater volatility for the franc, they argued that there was unlikely to be an early realignment within the EMS.

The D-Mark was quoted at FFr3.3840 in early trading, well up from Friday's fixing of FFr3.3771 in Paris. However it was still some way below its EMS ceiling level against tha franc, of FFr3.4300.

After its early losses, the franc managed to recover a little. The D-Mark was fixed at FFr3.3789, below the day's high, but still up from Friday. There was no intervention by the Bank of France.

While the D-Mark benefited from weakness of the French franc, investors showed their disappointment that the Bundesbank had failed to increase its money market intervention rate.

The Bundesbank sold $28.7m at the fixing in Frankfurt as the dollar was fixed higher at DM1.7241 against DM1.7180 on Friday.

A firmer feel to US rates and a rise in Swiss rates have eroded the D-Mark's attraction. The authorities would probably lika to see a firmer trend in West German rates, but remain sensitive and susceptible to outside criticism, particularly from the US.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4621	+2.36	+1.05	±1.5344
Danish Krone	7.85212	7.89837	+0.59	-0.72	±1.5404
German D-Mark	2.05853	2.07852	+0.97	-0.34	±1.0981
French Franc	6.90403	7.02117	+1.70	+0.39	±1.3674
Dutch Guilder	2.31943	2.33312	+0.59	-0.72	±1.5012
Irish Punt	0.768411	0.776828	+1.10	-0.21	±1.6684
Italian Lira	1483.58	1544.97	+4.14	+3.34	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

June 13	Latest	Previous Close
£ Spot	1.8160-1.8170	1.8175-1.8185
1 month	0.08-0.07pm	0.08-0.07pm
3 months	0.34-0.31pm	0.38-0.33pm
12 months	2.52-2.41pm	1.61-1.49pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

June 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8140-1.8230	1.8160-1.8170	0.08-0.05cpm	0.43	0.36-0.31pm	0.74
Canada	2.2145-2.2220	2.2155-2.2165	0.17-0.27cdis	-1.19	0.44-0.57dis	-0.91
Netherlands	3.51¼-3.53	3.51¼-3.52¼	1½-1cpm	4.26	4½-3½pm	4.34
Belgium	65.40-65.80	65.55-65.65	19-5cpm	2.20	47-29pm	2.32
Denmark	11.90-11.96¼	11.90¾-11.91¾	¾pm-1¼oredis	-0.44	¾-¾dis	-
Ireland	1.1680-1.1755	1.1715-1.1725	0.12-0.18cdis	-0.38	0.42-0.56dis	-1.67
W. Germany	3.13-3.14½	3.13-3.13½	1½-¾pfpm	4.31	4-3½pm	4.87
Portugal	255.00-257.20	255.00-256.00	46-85cdis	-3.08	200-306	-3.96
Spain	206.95-208.05	207.05-207.35	21-41cdis	-1.80	64-90dis	-1.49

Belgian rate is for convertible francs. Financial franc [illegible].

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES

Gilts slip in low volume

TRADING VOLUME fell away quite sharply in yesterday's Liffe market, as many investors preferred to stay on the sidelines ahead of today's release of US trade figures for April. Three-month sterling deposits traded less than 8,000 lots in the most popular Saptembar contract, while the September long gilt contract managed just under 9,000.

The latter finished at the day's low, but had opened on a firmer note, helped by favourable press comment over the weekend about the UK economy. Sterling's firmer trend also boosted sentiment initially, and although the pound held on to most of the day's gains, gilt prices slipped away during the afternoon.

UK producer prices in May were much higher than expected on the input side, giving rise to concern that inflationary pressure may be building up. The gilt price opened at 96-21, up from 96-14 on Friday but slipped to a close of 96-11, having been as high as 96-23.

US Treasury bonds showed a useful improvement in thin trading. A firmer dollar plus expectations of lower crude oil prices pushed values firmer at the start, but although finishing close to the day's high, dealers stressed that many investors had started to drift away, until after the release of US trade figures.

The September price opened at 87-18, up from 87-14 on Friday, and touched a high of 87-29 before finishing at 87-26.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	626	641	4	11
92	432	458	10	28
94	249	324	27	58
96	123	210	101	144
98	36	117	214	251
100	13	43	355	413
102	5	21	547	555

Estimated volume total, Calls 1972 Puts 555
Previous day's open int. Calls 19856 Puts 24802

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	760	659	8	31
82	608	521	20	57
84	426	360	38	132
86	257	308	105	244
88	145	209	157	345
90	59	129	307	501
92	30	61	442	633

Estimated volume total, Calls 40 Puts 50
Previous day's open int. Calls 515 Puts 610

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements JUL	Puts-settlements Jun	Puts-settlements JUL
17000	1291	1435	1	30
17500	803	997	13	92
18000	383	629	93	224
18500	120	353	330	448
19000	22	174	732	769
19500	2	75	1212	1170
20000	0	28	1710	1623

Estimated volume total, Calls 10 Puts 30
Previous day's open int. Calls 27 Puts 100

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.6931	0.6935	0.6918	0.6948
Sep	0.7021	0.7023	0.7008	0.7037
Dec	0.7105	0.7110	0.7090	0.7125
Mar	-	-	-	0.7213

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Jun	271.35	272.15	270.90	271.10
Sep	273.35	274.15	272.95	273.10
Dec	275.40	276.00	275.00	275.05
Mar	277.00	277.50	-	276.45

MONEY MARKETS

UK rates easier in quiet trading

INTEREST RATES were lower in London yesterday in reaction to sterling's firmer trend. However there was no follow through after the initial mark down. Sterling's continued attraction was dependent on today's US trade figures, and dealers were unwilling to commit themselves one way or the other until these figures were known.

Three-month interbank money slipped to 8¼-8⅛ p.c. from 8⅜-8¼ p.c. while the one year rate fell to 9¼-9⅛ p.c. from 9⅜-9¼ p.c.

UK clearing bank base lending rate 8½ per cent from June 6

Short term rates were also easier after a surplus of liquidity was forecast. Overnight interbank money opened at 7¾-7½ p.c. and eased to 6 p.c. before finishing bid at 8 p.c.

The Bank of England forecast a surplus of around £250m, with facturs affecting the market including bills maturing in official hands and repayment of any late assistance, together with a take up of Treasury bills draining £623m. In addition, banks brought forward balances £45m below target. These were more than matched by a fall in the note circulation of £445m and Exchequer transactions, which added £475m.

There was no intervention by the Bank during the morning. In the afternoon, the Bank sold £195m of Treasury bills to the market at 7-7¼ p.c., maturing tomorrow.

In Frankfurt the Bundesbank announced a 29-day sala and repurchase tender at a fixed, and unchanged rate of 3.25 p.c. Successful applicants will receive their allocations today, coinciding with a maturing facility, which will drain DM7.5bn from the system.

Tha authorities' decision to leave the rate unchanged did not come as a surprise, even though they would probably have liked to see interest rates higher, both to underpin the D-Mark and to control money supply growth. However most dealers suggested that the time was not yet right for a rise in rates, mainly because of the impact within the Group of Seven nations, and also because a rise in rates was seen as one of the contributory causes to last October's equity crash.

Consequently traders see little chance of a change in key interest rates or credit policies at tomorrow's meeting of the Bundesbank central council.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

BASE LENDING RATES

[illegible]

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

FT 30	FTSE 100	WALL STREET
Jun 1450/1459 -8	Jun. 1828/1838 -10	Jun 2096/2108 +3
Sep. 1459/1468 -8	Sep. 1839/1849 -10	Sep 2111/2123 +6

Prices taken at 5pm and change is from previous close at 9pm

Art Galleries

LEGER, 13 Old Bond Street. 01-629 3538. GAINSBOROUGH. Two musical masterpieces, 'Abel' and 'Clarges' Tues. 7th June until Wed 22nd June only. 9.30 to 5.30.

RICHARD GREEN, 4 New Bond Street, W1 493 3939 MODERN BRITISH PAINTINGS Mon-Fri 10-6, Sats 10-12.30

Company Notices

NOTICE TO HOLDERS OF WARRANTS

S.T. CHEMICAL CO., LTD.

U.S.$25,000,000 2¼ per cent. Guaranteed Bonds Due 1992 with Warrants (the "Warrants")

to subscribe for shares of common stock of

S.T. CHEMICAL CO., LTD.

Pursuant to the relevant provisions of Clauses 3 and 4 of the Instrument (the "Instrument") and paragraph 12 of the Paying and Warrant Agency Agreement, both dated 10th June, 1987, relating to the captioned Warrants, notice is hereby given to you that:

(1) The Board of Directors of S.T. Chemical Co., Ltd. (the "Company") at its meeting held on 1st June, 1988 resolved that the Company shall make a free distribution of shares of its Common Stock on 18th August, 1988, Japan time, to the shareholders of the Company registered on its register of shareholders as of 30th June, 1988, Japan time (the "record date"), at the ratio of 1.0 share for each one share owned by such shareholders.

(2) As a result of such free distribution the subscription price in respect of the captioned Warrants, which is currently 1,994.50 yen per share, will be reduced to 997.30 yen per share of the Company's Common Stock in accordance with Clause 3, paragraph (i) of the Instrument. The new subscription price will become effective on 1st July, 1988 which is the day immediately after the record date.

14th June, 1988

The Mitsubishi Bank, Limited
as Principal Paying Agent
for and on behalf of S.T. Chemical Co., Ltd.

AMENDMENT
NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR'S) IN MITSUI & CO., LTD.

Further to our notice of January 15, 1988 EDR holders of Record Date September 30, 1987 are advised of amendment to Dividend payment in respect of Coupon 39.

Denomination 1 shera Gross Dividand: $0.020308
Less 15% Japanese Withholding tax: $0.017367
Less 20% Japanese Withholding tax: $0.016246

CITIBANK,N.A., London.
Depositary.
June 14, 1988.

Announcements

At The Annual General Meeting

Of the Chartered Institute of Management Accountants, held at the Cafe Royal in London on June 11, Mr Ronald S Kett was elected President of the Institute for 1988-89;
Mr Ronald Giffin and Mr Dudley Mead were elected Vice-Presidents.

AIP FINANCE N.V.
US $20 MILLION GUARANTEED FLOATING RATE NOTES 1995
The interest rate applicable to the above Notes in respect of the initial interest period commencing 14th June 1988 will be 8¾% per annum.
The interest amounting to US $219.22 per US $5,000 principal amount of the Notes and to US $438.44 per US $10,000 principal amount of the Notes will be paid on 14th December 1988 against presentation of Coupon No.1.
BANK LEUMI (UK) PLC
Principal Paying Agent
bank leumi בנק לאומי

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

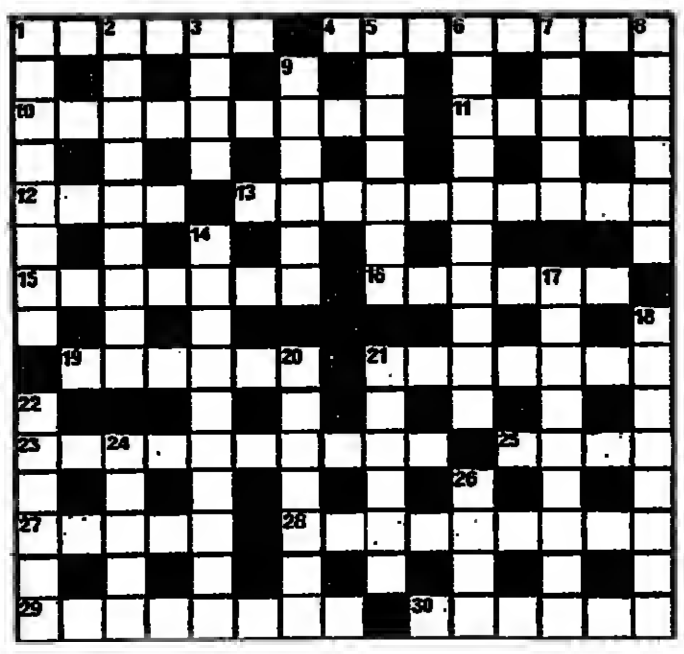
[illegible]

JOTTER PAD

FT CROSSWORD No.6,655

SET BY CINEPHILE

Many solutions are alliterative words or phrases such as CARD-CARRYING or WINTER WOOLIES. Their clues are not numbered, but are arranged in alphabetical order of their solutions, which must be fitted into the diagram jigsaw-wise, wherever they will go, some into one space and some into two.



ALLITERATIONS

Court attendants at dance are sound supports (4,4)
Policeman with wings that flowers in the corn (10)
By all means spread your wings! (4,4)
Paid (the bill) for accommodation without arches? (4-6)
Socks to go with singlet? (4-4)
Heavy stuff in happy start of year for heroine (7,4)
Double record in mathematics (6)
Retailer takes time - a thousand and ten turns - to get executive's job (6,10)
Met up with trouble having spun a coin in a storm at sea (7-6)

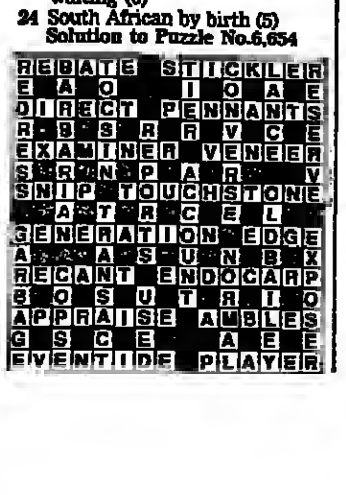
ACROSS

4 Outstanding performer,a nob to begin with (5,3)
10 Original riding's shape in a school class (5,4)
11 Legal reservation for concentration of fire (5)
19 Hampshire town incurs unpopularity, we hear (6)
21 Roe is by way of being surrounded by caution (7)
27 Last month's painter, an extremist? (5)
28 Form of ilex: core's higher up (9)
30 Position of our first ancestor (6)

DOWN

1 Bath upset in Flanders, perhaps, as a preservative (4-4)
2 Girl making butter did without breezy parent (9)
6 Reacting favourably, especially in revised version (10)
7 Young bird, two up, entertaining the French (5)
14 Set fire to pig and knock on its head for a print (10)
17 Nominate a variety of issue (9)
20 A thousand burning coals in society (7)
21 People without ideals - that's what's wrong, by the sound of it, with the Indian Civil Service (6)
22 Morning, vice-president! We're waiting (6)
24 South African by birth (5)

Solution to Puzzle No.6,654



FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd
Target Hse, Gatehouse Rd, Aylesbury Bks 0296 394000

American Eagle	60.9	64.9xd	-0.3	1.27
Australia	8.0	8.5	-0.1	0.10
Commodity	79.8	85.9	-1.0	1.06
Convertible	149.0	158.4	-0.4	5.51
Equity	147.6	153.0xd	-	3.21
Euro Spec Sits	77.5	82.2	-0.5	1.52
Financial	31.1	33.1	+0.1	1.90
Global Opps Inc	57.3	60.8	+0.3	-
Global Opps Acc	57.3	60.8	+0.3	-
Gold Income	53.7	56.9	-1.0	0.87
Gold Acc	98.9	105.0	-1.5	0.87
Income	108.0	114.8xd	+1.0	3.52
Japan	126.6	134.5	-1.0	0.10
Pacific Income	114.3	121.8	-	0.87
Pacific Re Inv	142.0	151.3	-	0.87
Preference Shares	25.4	26.9	+0.1	6.79
Special Sits	100.9	107.2	+1.0	0.58
Technology	41.5	44.2	+0.1	0.10
UK Capital	89.8	95.6	-0.5	1.28
World Income	49.9	52.9	-1.4	5.36
Worldwide Capital	145.0	154.0	-1.0	1.16
Equity Exempt	109.9	117.0xd	-	1.56
Equity Exempt Acc	210.6	224.3	-	1.56

Templeton Investment Management
20 Cornhill Avenue, EC2R 7PA 01-588 6064

(a) Pen & Ch Iss	187.7	91.4xd	-2.41	-

Thornton Unit Managers Ltd
33 Cavendish Sq., London W1M 7BF 01-493 7262
Dealing 01-493 8545

American Opps	37.2	39.7	-	1.38
(Accum Units)	38.0	40.5	+0.1	1.38
European Opps	42.2	45.0	+0.1	1.06
Far Eastern Opps	82.1	87.6	-	0.46
(Accum Units)	82.4	87.9	+0.1	0.46
Golden Opps	34.6	36.9	+0.1	1.20
Int'l Hi-Yield	42.9	45.0	+0.1	4.30
Japanese Opps	59.2	63.1	+0.3	0.89
(Accum Units)	59.2	63.1	+0.3	0.89
Kangaroo	30.7	32.7xd	-	2.26
Oriental Income	28.0	29.9	-	2.07
(Accum Units)	28.5	30.4	-	2.07
Pacific Technology	51.6	55.0	-0.5	0.00

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	264 9	278 9	-----	-
Man Pens Inc & Cap Fds	337 7	355.5	-----	-
Money Fund	112.7	118.7	-----	-
Pens Mngd Fd (Init)	87.3	91 9	-----	-
Pens Mngd Fd (Acc)	99.7	105.0	-----	-
Pens FT30 Fd (Init)	126 6	133.3	-----	-
Pens FT30 Fd (Acc)	144.6	152.3	-----	-
Pens O'seas MgFd(Init)	57 8	60 9	-----	-
Pens O'seas MgFd(Acc)	66 0	69 5	-----	-
Pens Fxd Int Fd (Init)	107 4	113 1	-----	-
Pens Fxd Int Fd (Acc)	122.7	129 2	-----	-
Pens Deposit Fd (Init)	101 4	106 8	-----	-
Pens Deposit Fd (Acc)	115.0	121.9	-----	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	92 00	97 00	+1 6	-
Building Soc. Fd	161.0	178 8	-	-
Balanced	241 8	254.0	-	-
Deposit	160 8	169 0	-	-
European	125 00	132 0	+2 0	-
G7 Managed	151 8	159 8	-	-
Gartmore Mngd	100 0	106 0	-	-
German	88 00	97 8	-1.8	-
Gilt	171 8	182 8	-	-
High Inc	115 8	122 8	-	-
International Equity	151 0	159 0	-	-
Japan	217 8	229 8	-1.8	-
Managed	54 8	57 8	-	-
Property	256 0	270 0	-	-

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	434 7	457.6	-----	-
Equity Fd	869 6	915.4	-----	-
Intl Fd	307 9	324 2	-----	-
Fixed Int. Fd	368 4	387 0	-----	-
Prop Fd	324 9	342.1	-----	-
Cash Fd	237 4	249 9	-----	-
Pacific Basin Fd	177.8	187 2	-----	-
North American Fd	129.1	130.7	-----	-
European Fd	126.7	134 4	-----	-
Holborn Balanced Grth Fd	101.1	106.5	-----	-
Holborn Strategic Grth Fd	99.7	105.8	-----	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	473 0	900.1	-----	-
Equity	679 9	715.7	-----	-
Global Equity	197 8	207 4	-----	-
Fixed Interest	379.7	399.7	-----	-
Property	318 8	335 6	-----	-
Cash	140.6	148 1	-----	-
Index Linked Gilt	166 9	175 7	-----	-
Guaranteed	0 31		-----	-
International Money	185 6	195 4	-----	-
North American Fd	54.5	57.4	-----	-
Japanese Fund	125 6	132 3	-----	-
European Fund	60 7	72 4	-----	-
Special Situations Fd	96 6	101.7	-----	-
Communications Fund	84 3	88 8	-----	-
Smaller Cos Fund	97 7	102 9	-----	-

Prudential Pensions Limited

Royal Heritage Life Assurance Ltd—Contd.

Skandia Life Assurance Co Ltd—Contd.

Swiss Life Pensions Ltd

Johnson Fry Plc

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Prolific Life & Pensions Ltd

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance (Life & Pensions)

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provincial Life Assurance Co Ltd

Prudential Assurance Co

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100¼	[illegible]	Treas. 9¾pc '88	100[illegible]	.....	9.47	8.38
102[illegible]	101[illegible]	Treas 11½pc 1989	101[illegible]	+[illegible]	11.28	8.43
101[illegible]	99[illegible]	Treas 9½pc Cnv 1989	100[illegible]	+[illegible]	9.43	8.57
97[illegible]	95[illegible]	Treas 3pc 1989	97[illegible]	+[illegible]	3.09	6.38
102[illegible]	100	Treas 10½pc 1989	101[illegible]	+[illegible]	10.32	8.64
102	[illegible]	[illegible] 10pc 1989	101¼	+[illegible]	9.88	8.81
103[illegible]	101[illegible]	[illegible] 11pc 1989	102[illegible]	+[illegible]	10.73	8.80
97[illegible]	95[illegible]	Treas 5pc 1986-89	96[illegible]	.....	5.16	7.47
104[illegible]	101¼	[illegible] 10¼pcCv '89	102[illegible]	–[illegible]	9.99	8.26
107½	[illegible]	Treas 13pc 1990‡‡	106[illegible]	.....	12.27	8.87
104¼	102[illegible]	[illegible] 11pc 1990‡‡	103¼	+[illegible]	10.66	8.05
107[illegible]	105[illegible]	[illegible] 12½pc 1990	105[illegible]	.....	11.82	8.91
93[illegible]	91[illegible]	Treas. 3pc 1990	93[illegible]	.....	3.22	6.96
99[illegible]	98[illegible]	Treas 8¼pc 1987-90‡‡	99[illegible]	–[illegible]	8.31	8.67
102¼	98[illegible]	Treas. 8pc Cv 1990 ‡‡	100[illegible]	–[illegible]	8.00	7.97
103[illegible]	100[illegible]	Treas. 10pcCv 1990	102	–[illegible]	9.79	8.97
91[illegible]	88[illegible]	Exch 2½pc 1990	90[illegible]	.....	2.77	6.90
107¼	105[illegible]	Treas 11¾pc 1991	106[illegible]	–[illegible]	11.08	9.04
95[illegible]	92[illegible]	Funding 5¾pc '87-91‡‡	94[illegible]	+[illegible]	6.10	8.07
90[illegible]	87[illegible]	Treas. 3pc 1991	89[illegible]	+[illegible]	3.34	7.18
105[illegible]	101[illegible]	Treas 10pc Cv '92 ‡‡	103[illegible]	.....	9.70	8.82
107[illegible]	104[illegible]	Exch. 11pc 1992	105[illegible]	–[illegible]	10.42	9.03
98[illegible]	95[illegible]	Treas. 8pc 1992	97[illegible]	+[illegible]	8.24	8.97
113[illegible]	109[illegible]	Treas 12¼pc 1992‡‡	111	–[illegible]	8.249	8.97
104[illegible]	101[illegible]	Treas 10pc 1992	102[illegible]		9.73	9.09
98[illegible]	94[illegible]	Treas. 8pc 1992 ‡‡	96[illegible]		8.27	9.02
106[illegible]	102[illegible]	Treas 10½pc Cv 1992‡‡	104[illegible]	–[illegible]	10.07	9.15
86[illegible]	[illegible]	Treas. 3pc 1992	85[illegible]	+[illegible]	[illegible]	7.20
112[illegible]	[illegible]	[illegible] 12¼pc '92	110[illegible]	[illegible]	[illegible]	9.21
117[illegible]	[illegible]	[illegible] 13½pc 1992	114[illegible]	–[illegible]	[illegible]	9.22
40[illegible]	[illegible]	Treas. 8¾pc 1993 (40)@	99[illegible]	–[illegible]	[illegible]	9.16
105[illegible]	100	Treas 10pc 1993‡‡	103[illegible]	–[illegible]	[illegible]	9.16

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS – Contd

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
130[illegible]	121[illegible]	Exch. 12pc '13-'17	128[illegible]	–[illegible]	9.37	9.14

Undated

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
44[illegible]	41[illegible]	Consols 4pc	43¾	.....	9.14	–
39[illegible]	37[illegible]	War Loan 3½pc‡‡	37[illegible]	.....	8.96	–
52¼	48[illegible]	Conv. 3½pc '61 Aft.	51[illegible]	.....	6.78	–
33[illegible]	30[illegible]	Treas. 3pc '66 Aft.	32¾	.....	9.26	[illegible]
28[illegible]	26[illegible]	Consols 2½pc	27[illegible]	.....	9.08	–
28[illegible]	26¼	Treas. 2½pc	27¼	.....	9.05	–

Index-Linked

1988 High	Low	Stock	Price £	+ or –	(1)	(2)
121[illegible]	117½	Treas 2pc IL '90(84 6)	121[illegible]	.....	0.75	2.31
103¼	99[illegible]	Do. 2pc '92[illegible] (97.8)	102¼	–¼	2.12	2.80
40[illegible]	39[illegible]	Do. 2pc '94 (40)@	40¾	.....	2.58	2.96
139[illegible]	127¼	Do. 2pc '96(67 9)	138[illegible]	+[illegible]	2.86	3.20
114[illegible]	103¾	Do 2½pc '01 (78.3)	113[illegible]	+[illegible]	3.59	3.82
111[illegible]	101¾	Do. 2½pc '03(78.8)	110¾	+[illegible]	3.67	3.87
112[illegible]	102¼	Do. 2pc '06(69.5)	112[illegible]	+[illegible]	3.73	3.90
105[illegible]	95[illegible]	Do. 2½pc '09(78 8)	104¼	+[illegible]	3.75	3.90
109[illegible]	99[illegible]	Do. 2½pc '11(74.6)	108¼	+[illegible]	3.75	3.90
90[illegible]	82[illegible]	Do. 2½pc '13(89.2)	90[illegible]	+[illegible]	3.74	3.88
98[illegible]	88[illegible]	Do. 2½pc '16(81.6)	97[illegible]	+[illegible]	3.71	3.84
95[illegible]	87¼	Do. 2½pc '20 (83.0)	95[illegible]	.....	3.69	3.77
80[illegible]	73	Do. 2½pc '24 ‡‡(97.7)	80[illegible]	–[illegible]	3.61	3.72

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1987:102.4 and for April 1988:105.8

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	.....	3.50	17.78
45	33	Do 6pc 28 Stb. Ass.	45	.....	3	16.67
45	33	Do 4pc Mixed Ass.	45	.....	3	14.44
75	63	Hung. '24 Ass.	75	.....	2 75	13.67
140[illegible]	128[illegible]	Hydro Quebec 15pc 2011	137[illegible]	+[illegible]	15.00	10.59
128[illegible]	118[illegible]	Iceland 14½pc Ln 2016	127	+[illegible]	14.50	11.29
101¼	96½	Ireland 9¾pc '91-96	100¼	.....	9.75	9.65

AMERICANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29½	22¼	Abbott Laboratories‡	24¾	–¼	$1 20	–	2.7
649p	405p	Allegheny & W 1c	405p	–23	30c	–	4.1
12½	862p	Amax $1	12[illegible]	–[illegible]	020c	–	–
29½	16¼	Amdahl 5c	29¾	+1¼	20c	–	0.4
30	22	Amer. Cyanamid $5	26¾	–¼	$1 05	–	2.1
15½	11¼	Amer. Express 60c	14[illegible]	–[illegible]	76c	–	2.8
975p	668p	Amer Medical Int $1	973p	–2	72c	–	4.1
17¼	13[illegible]	American T. & T. $1	14¾	.....	$1.20	–	4.5
54¼	44¾	Ameritech $1	51	+¼	$5 40	–	–
26¼	16[illegible]	Amfac‡	26½	.....	–	–	–

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
28⅞	22¾	TRW Inc. 62½c	25⅞	–⅛	$1.60	—	3.4
26½	21¼	Tenneco $5	25⅝	–⅛	$3.04	—	6.4
28¾	19⅞	Texaco $6.25	28¼	+¼	♦$3.00	—	5.8
52¾	43¼	Time Inc. $1	52½xd	.....	$1.00	—	1.1
20¼	15¾	Transamerica $1	18⅝	.....	$1.84	—	5.4
10⅛	754p	Transworld Corp $5	953p	+12	20c	—	1.1
20⅛	14½	TRINOVA Corp	16⅝	+⅛	56c	—	1.8
19	15¼	USX $1	17⅝	+⅛	$1.20	—	3.7
23	17⅝	Utd. Technologies	21⅞xd	–⅜	$1.60	—	4.1
31½	26½	US West	30½	+⅛	$3.52	—	6.3
21¼	16¾	Waste Management $1	19¼	+¼	[illegible]	—	1.3
16¼	12¾	Whirlpool $1	15¼	+¼	$1.10	—	4.0
32¾	18¼	♦Woolworth $3½	28[illegible]	–⅛	$1.[illegible]	—	3.1

CANADIANS

1988 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	190p	ABM Gold Corp	197p	.....	—	—	—
32p	11p	♦Abbot Energy Corp	23¾p	.....	—	—	—
14¼	990p	♦Amer. Barrick Res	11¾	–⅛	—	—	—
10p	3½p	American Lightwave	6¾p	–¼	—	—	—
47p	18¾p	♦Armeno	18¾p	–1½	—	—	—
76p	45p	Augmitto Expln	66p	+1	—	—	—
12¼	10⅝	Bk. Montreal	12¾	.....	$2.00	—	7.3
600p	514p	Bk. Nova Scot.	600p	+2	76c	—	3.6

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

133	89	Medirace 10p ... y	123	-3	–	–	–	–
124½	61½	Moray Firth 1p .... y	104½	....	–	–	–	–
31	16	Norton Group 5p ... y	18		–	–	–	–
59	36	Oroca Gold IR 2p .. y	48	....	–	–	–	–
26	19	Pennant Grp. 2p.... y	26	+2	d0.2	–	1.0	–
56	33	Proofler 1p ... .. y	55	....	–	–	–	4
31	13	Publishing Hldgs.5p. y	18	....	–	–	–	10 8
80	68	Season Hldgs ..... y	74	.....	–	–	–	♦
27	18	Stats Hldgs. 5p... y	20	.....	–	–	–	31 2
4½	3	Swanyard Studios 1p y	3¼	....	–	–	–	18.5
262	200	Takare .... y	235	-3	bl.0	0.1	0 6	24.1
37	41	Theme Holdings .. y	51	+3	1 1	♦	2 9	♦
36	26	Tomorrows Leisure 20p. y	26	....	–	–	–	10.4
25	13½	Tullow Oil 10p...... y	14	....	–	–	–	–
135	118	UPL Group 10p..... y	118	-2	L2.4	♦	2 7	4
143	120	Unit Group .... y	142	.....	R4.6	2.5	4 3	10 2
95	85	Video Tape Record 5p..	93	+1	12.3	2.3	3.3	13 4

NOTES

Stock Exchange dealing classifications are indicated to the right of security names α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♠ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a *Annualised dividend.* b *Figures based on prospectus or other* offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H *Dividend and yield based on prospectus or other official estimates* for 1986 K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P *Figures based on prospectus or other official estimates for 1987* Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	68	......
Craig & Rose £1.. y	680	+10
Finlay Pkg. 5p.... y	78	+1
Holt (Jos) 25p..... y	£11¾	......

IRISH

Nat. 9¾% 84/89..	£101	......
9pc Cap Ln 1996	£98¾	......
Fin 13% 97/02..	£118¾	......

Arnotts............ y	378	......
CPI Hldgs........ y	116	......
Carroll Inds....... y	159	+1
Hall (R & H.)......	161	+1
Heiton Hldgs...... y	45	+2
Irish Ropes....... y	165	......
Unidare............ y	408	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons.	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	0
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	14
Bowaters	30
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	30
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	4
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	38
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	25
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

Boots provides best feature in stock markets hanging fire awaiting US trade figures

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 6	Jun 16	Jun 17	Jun 27
Jun 20	June 30	Jul 1	Jul 11
Jul 4	Jul 14	Jul 15	Jul 25

*New time dealings may take place from 9.00 am two business days earlier.

BUSINESS ON the UK securities market all but ground to a halt yesterday as London awaited today's announcement of the US trade figures for April. The market's nerves were strained further as, in early trading, Wall Street humped uncomfortably around Dow 2100, widely regarded as a significant testing point for the US market.

A firm pound bore down on the UK international blue chips from the opening of the London market. Turnover was light and the losses in BAT Industries, ICI, Unilever and Glaxo were not large. However, the general apathy spread to encompass last week's speculative features on the food and insurance pitches, and the market looked very dull all day.

The FT-SE 100 Index, 16 points off at mid-afternoon when Wall Street was easier, rallied with the New York market to end with a net fall of 11.0 at 1838.8. Seaq turnover of 320.8m shares was at the lowest end nf the most recent, and dispiriting, range of market business.

The equity market opened cautiously after a weekend of somewhat mixed comment from the investment press on the outlook for equities, with several commentators pointing to Wall Street as the major short term influence on London.

UK analysts are looking for a deficit on US trade of around $12bn in April, with some estimates ranging up to $13.2bn. The qnestion mark lies over Wall Street, where today's response to the trade figures will be scanned anxiously by London chartists. "Whichever direction the Dow moves away from 2301, it will move very strongly", predicted one major UK analyst.

Uncertainty over the outcome of the Opec meeting, reflected in lower crude oil prices, also helped to keep the international stocks subdued. The renewed focus on market fundamentals took some of the froth ont of the speculative sectors. The eagerly-awaited formal bid document for Rowntree from Jacobs Suchard provided little excitement for the speculators – the market still believes that Nestlé will arrange to buy Suchard's 29.9 pc Rowntree stake before announcing its own increased, knock-out bid for the UK chocolate group.

Rowntree shares eased 2½ to 1065p as the market hoped for a Nestlé bid of around £11½ a share. Turnover, with much of the equity now held by the two Swiss contestants, was a derisory 207,000 shares.

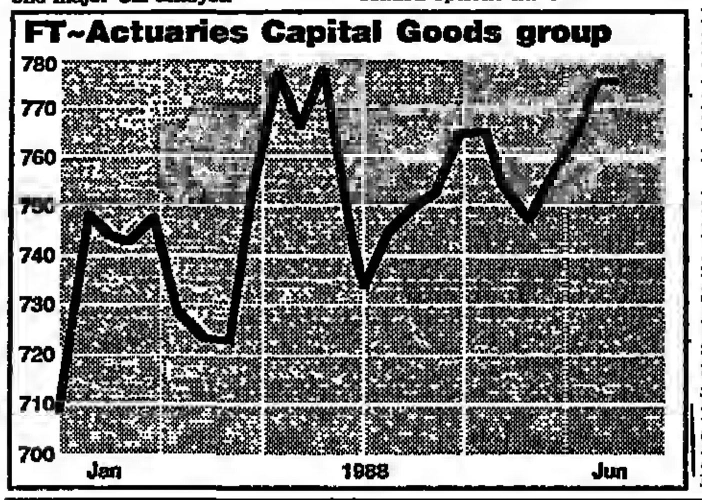
Despite some hopes that Cadbury Schweppes might attract a bid from the loser in the Swiss tussle for Rowntree, shares in Cadbury eased 3 to 413p, with 1.9m shares traded.

Turnover in the bond market was even more scanty than in equities, with the firmness of the pound appearing to have little effect. Prices shaded lower at first, but brightened later when the US bond market firmed. At the clnse, longer dates showed net rises of ¼ or so. Index-linked showed little change.

Boots were one of the most actively traded stocks (around 6.9m shares went though the system) as various rumours swept the market. Talk mainly centred on a possible hreak-up bid from Hanson, but this was also accompanied by rumours of a property sale and leaseback deal in the offing.

The Boots share price closed 5 higher at 227p, after having touched 228p at one stage, with a heavy demand reported from the Traded options market.

FT~Actuaries Capital Goods group



FINANCIAL TIMES STOCK INDICES

	June 13	June 10	June 9	June 8	June 7	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.80	89.89	89.80	89.78	89.72	92.04	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.18	98.12	98.08	98.21	98.15	99.12	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1461.1	1468.2	1463.7	1455.2	1445.1	1786.6	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	217.2	228.6	228.5	232.5	236.0	388.1	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.53	4.50	4.52	4.53	4.56	3.20				
Earnings Yld. % (full)	11.64	11.57	11.60	11.64	11.73	7.74				
P/E Ratio (net)(*)	10.48	10.54	10.51	10.51	10.43	15.93				
SEAQ Bargains (5pm)	25,040	25,790	27,359	22,647	25,739	58,291				
Equity Turnover (£m)	-	1517.85	1101.55	1006.66	1277.39	1716.32				
Equity Bargains	-	30,223	28,930	25,334	29,271	68,993				
Shares Traded (ml)	-	591.0	446.1	416.5	483.2	768.3				

S.E ACTIVITY

Indices	June.10	June.9
Gilt Edged Bargains	101.2	109.1
Equity Bargains	195.8	187.4
Equity Value	3068.0	2226.5
5-Day average		
Gilt Edged Bargains	105.9	107.3
Equity Bargains	183.6	189.9
Equity Value	2356.0	2296.2

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1468.0	1466.8	1462.0	1460.4	1461.1	1461.1	1469.0	1455.7

Day's High 1468.0 Day's low 1455.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.37.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

Reed International shares lost ground following announcement of the foreshadowed sale of its Canadian paper-making interests to Daishowa Paper of Japan for C$631m (£284m). The sale price was higher than expected but analysts remained cool on the stock, pointing out the potential earnings dilution until the proceeds are re-invested in new publishing ventures. Reed after edging forward to 415p eased back to close 5 down on the day at 408p.

The oil sector looked subdued, as the major producers awaited definitive news from the meeting in Vienna of the Opec ministers and the more speculative issues lost some of the excitement of the previous week. There was little response to an assurance from the Saudi oil minister that, following adjournment of the meeting, formal agreement is likely today on a roll-over of the existing production ceilings.

BP shaded cautiously after reports that the oil minister of Kuwait was in London yesterday to discuss the 22 per cent holding in the oil group held hy the Kuwait Investment Office (KIO). The UK stock market believes that the KIO will agree to trim its stake to around 20 per cent, but there is an underlying worry that any attempt at stronger restraint might prompt the KIO to dispose of its entire BP holding, a prospect deemed highly unfavourable for the share price.

BP naw shares eased one penny to 71p with only 4m shares traded, while the old at 267p shed 3 on turnover of only 2.2m.

Shares in both **Enterprise Oil**, down 16 at 452p, and **LASMO**, down 16 at 454p, turned easier as the absence of a merger move disappointed the speculators. Other energy stocks to give ground included **Ultramar** (295p), **Burmah** (566p) and **Clyde Petroleum** (137p).

Insurance stocks, both life and composite, had quieter sessions than of late, as speculative interest in the market was reined in. **Abbey Life**, the unit trust linked life group, eased 12 to 330p and **Pearl** fell 19 to 528p. **Legal & General** lost 8 to 294p.

In tha composites, **Sun Alliance** gave back a few pence of the recent gain to close at 973p in thin trade. At 942p, **General Accident** fell 12.

There was littla interest in the banking sector either. **Barclays** eased 3 to 410p with less than 1m shares turned over, and similar patterns left **Midland** at 425p, and **Lloyds** at 299p. **TSB**, although still cautious over the prospect of increased competition from Girobank after the latter's public sale, showed little change at 106p.

Interest in the International stocks fell away as investors showed reluctance to show their hands ahead of today's US trade figures. Beecham ran into further profit-taking after last week's preliminary figures and touched 462p before rallying to close with a fall of 6 on balance at 465p. **Glaxo** traded within narrow limits and settled a shade off at 933p.

Pilkington, scheduled to reveal preliminary results tomorrow, were more active than most (around 2.5m shares traded) and settled 3 cheaper at 212p.

Metal Closure moved up 7 to 210p; the company announced yesterday that it will receive a further £7m from Savacentre as part of a deal on land sold to the latter in 1986. **Arenson**, awaiting news of the bid approach, eased initially to 148p before buyers took the price up to a close of 158p for a rise of 7 on the day. **Reuters** firmed 8 to 516p in the wake of investment demand.

With little to excite the market by way of fresh news from the Stockholm Aids conference, **Fisons** drifted back 5 to 266p and **Wellcome** closed a few pence eaiser at 545p.

London International, scheduled to reveal annual results tomorrow, traded firmly at 259p. **BZW**, the investment house, is looking for pre-tax profits of around £31.5m.

Harris Queensway provided the main feature in the Store sctor, advancing 7 to 170p. Buying interest was aroused by week-end press suggestions thet the Scottish entrepeneur, Mr James Gulliver, is leading the consortium which is negotiating an agreed takeover bid for the group. Elsewhere, **Ratners** continued to edge higher in the wake of last week's US presentation.

W.H. Smith hardened 5 to 282p; in a recent review of the company Citicorp Scrimgeour Vickers point out that with much of the uncertainty surrounding the news wholesaling activities now resolved, the group has begun to recover some its rating. Earnings slowdown in the current year may prevent this going much further, but they believe in the company's long term direction and rate the shares a firm hold.

One or two major food retailers bucked the trend after attention had been drawn to the sector's recent underperformance relative to the overall market. Investment interest was directed mainly at **J.Sainsbury**, 220p, and **Tesco**, 149p, both of which gained a few pence. A revival of bid speculation boosted **Bassett Foods** which, awaiting tomorrow's preliminary figures, rose 8 to 236p while **Cranswick Mill** added 5 at 100p. **Unigate** fell foul of profit-taking ahead of Thursday's annual results and closed 4 down at 334p but **Northern Foods** were a touch off at 294p; Kleinwort Grieveson expect the latter group today to reveal uninspiring full-year profits of around £76m compared with £75.2m last time.

USM-listed **Aberdeen Steak Houses** initially surged higher on takeover speculation to 115p but then fell back even quicker after a company statement to end 13 lower on the session at 90p, after 80p. The directors said they have noticed the recent sharp rise in the share price and are aware of certain rumours circulating in the market. Mr Ali Salih, chairman and managing director, controls 75 per cent of the equity and has not entered into any discussions whatsoever regarding the disposal of his interest in the company.

Among Building issues, some recent speclative favourites encountered profit-taking. **Ruberoid**, in which Raine Industries recently acquired a stake, ran into selling and reacted 7 to 213p, while **Geo. Wimpey**, boosted last week by speculation concerning the Grove Charity stake, gave up 5 to 249p. **Magnet's** preliminary figures £57.5m (£44.1m), came at the top end of market estimates but failed to generate excitement and the shares closed a few pence lower on the day at 249p.

ICI, unsettled to a extent by currency influences drifted back in extremely low volume (just over half a millinn shares changed hands) to close 13 off at 1026p. Profit-taking in the wake of last week's preliminary figures left **Leigh Interests** 6 down at 244p.

Hickson International held steady at 188p following the proposed sale of its building and kitchen equipment distribution activities to its current management team. Consideration for the deal is expected to be around £2.65m.

Lucas Industries showed little reaction either way to news that the divestment of subsidiary Crosland Filters to Precision Mecanique Labinal had been completed.

EMAP, the regional publishing to magazine group, delighted the market with annual profits of £25m. The figure exceeded analysts' estimates and represented an increase of 67 per cent on the previous year's £15m. Marketmakers reported above average demand for the shares which hit a 1988 peak of 218p before closing a net 7 higher at 216p. Improved annual results nudged **James Cropper** up 3 to 203p while **Osprey Communications** rose 7 to 90p and **Aspen Communications** 10 to 480p. Agencies were generally dull with the exception of **Yellowhammer** which, awaiting today's preliminary results, advanced 5 to 178p.

Weekend press comment touched off a run on **Textured Jersey**, up 19 at 196p, but other Textile issues steered erratic courses.

Business in Traded Options eased somewhat as the underlying share market settled down to await the US trade figures, due today. Contracts totalled 26,135, with calls making up 19,358 of the overall figure. There was brisk business in options of both Boots and Hanson, reflecting speculative activity in the share market. Of 4,021 contracts traded in Boots, 3,281 represented calls, while Hanson, 3,650 contracts traded, recorded 3,583 call trades.

Traditional Options

- First dealings June 13
- Last dealings June 24
- Last declarations Septe 15
- For Settlement Set 26

For rate indications see end of London Share Service

Dealers reported a fairly quiet day in the Traditional option market. Stocks to attract money for the call included Blenheim Exhibitions, Regentcrest, Bristol Channel, London Securities, Courtaulds, Kwik-Fit, Consolidated Gold Fields, Tranwood, Walter Lawrence, Camford Engineering, Parkdale and Bryant Holdings. A put was arranged in Humberside Electronic, but no double options wre reported.

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (114).

AMERICANS (12) CANADIANS (4) BANKS (6) BREWERS (3) BUILDINGS (6) CHEMICALS (4) STORES (6) ELECTRICALS (8) ENGINEERING (3) FOODS (1) INDUSTRIALS (20) INSURANCE (2) LEISURE (2) MOTORS (1) NEWSPAPERS (2) PAPERS (8) PROPERTY (8) SHIPPING (3) TEXTILES (1) TRUSTS (12) OILS (1) OVERSEAS TRADERS (2) MINES (2).

NEW LOWS (16).

AMERICANS (1) Allegheny & West, CANADIANS (2) Armeno, Trans Atlantic, BANKS (1) GPG, BUILDINGS (1) Johnstones Paints, CHEMICALS (1) Doeflex, ELECTRICALS (1) Real Time Control, FOODS (1) Acatos & Hutcheson, INDUSTRIALS (2) Huntleigh Tech., Sale Tilney, NEWSPAPERS (1) Portsmouth & Sunderland Newspapers, PAPERS (2) Moorgate Group, Whinney Mackay-Lewis, PROPERTY (1) Cumins Property, MINES (2) Cons. Modds., Stilfontein.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	486	General Accident	631	Prudential	3,700
Allied-Lyons	1,200	General Elect.	2,600	Racal	1,600
Amstrad	1,100	Glaxo	1,600	Rank Org.	68
Argyll Group	716	Globe Investment	114	RMC	219
Assoc. Brit. Foods	399	Granada	1,500	RHM	696
BAA	1,600	Grand Met	1,200	Reckitt & Colman	161
BAT	607	GUS "A"	124	Redland	395
BET	1,300	Guardian R.E.	321	Reed Intl.	1,000
BICC	368	GKN	44	Reuters "B"	1,300
BOC	418	Guinness	695	RTZ	1,800
BPB Inds	1,400	Hammerson	393	Rolls-Royce	3,150
BTR	1,100	Hanson	4,250	Rothmans "B"	380
Barclays	673	Hawker Siddeley	417	Rowntree	207
Bass	159	Hillsdown Holdings	543	Ryl Bank Scotland	1,000
Beecham	2,000	IMI	686	Royal Insurance	960
Blue Arrow	2,200	ICI	738	STC	1,400
Blue Circle	371	Inchcape	821	Saatchi & Saatchi	966
Boots	6,900	Jaguar	1,100	Sainsbury	1,500
Brit. Airways	2,200	Ladbroke	458	Scott & Newcastle	369
Brit. Aerospace	1,200	Land Securities	229	Sears	1,000
Brit. & Comm.	958	Laporte	369	Shell Transport	556
British Gas	7,700	Legal & General	1,200	Smith & Nephew	1,000
BP	2,500	Lloyds Bank	2,200	Standard Chartered	669
Brit. Telecom	1,500	LASMO	3,500	Storehouse	308
Burmah Oil	276	Lonrho	2,500	Sun Alliance	331
Burton	277	Lucas	49	T & N	305
Cable & Wireless	1,200	MEPC	320	TSB	4,100
Cadbury Schweppes	1,900	Marks & Spencer	1,550	Tarmac	709
Coats Viyella	569	Maxwell Comm.	221	Tesco	1,500
Commercial Union	2,000	Metal Box	376	THORN EMI	783
Cons. Gold	380	Midland Bank	1,100	Trafalgar House	1,300
Cookson	238	NatWest Bank	1,000	Trusthouse Forte	1,600
Courtaulds	706	Next	682	Ultramar	1,000
Dalgety	267	Northern Foods	878	Unilever	652
Dee Corporation	832	Pearson	183	United Biscuits	801
Dixons	1,900	Pearl Group	431	Wellcome	847
English China Clays	210	P & O	535	Whitbread "A"	1,100
Enterprise Oil	1,600	Pilkington	2,500	Williams Holdings	900
FKI Babcock	864	Plessey	963	Wimpey	1,000
Fisons	2,100			Woolworth	1,200

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	42	58	13
Corporations, Dominion and Foreign Bonds	29	1	23
Industrials	339	499	726
Financial and Properties	121	189	345
Oils	16	44	47
Plantations	1	5	7
Mines	22	77	92
Others	96	69	111
Totals	666	942	1,364

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Monday June 13 1988

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

June 13 Total Contracts 26,135 Calls 19,358 Puts 6,777

FT-SE Index Calls 891 Puts 768

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices June 10

MONTREAL
Closing prices June 10

OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 13

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Allied Textile	345	+	7
Bassett Foods	238	+	8
Boots	227	+	6
EMAP	216	+	7
Harris Queensway	170	+	7
Metal Closures	210	+	7
Osprey Comm.	88	+	7
Rogelian	197	+	6
Silvermines	143	+	8
Textured Jersey	196	+	19
Yellowhammer	178	+	6

FALLS

Aberdeen Stk. Hses.	90	−	13
Brit. & Comm.	263	−	5
Enterprise Oil	452	−	16
Gen. Accident	942	−	12
ICI	£10⅛	−	⅛
LASMO	484	−	18
Pearl	528	−	19
Reed Intl.	408	−	3
SEET	136	−	5
WPP	664	−	8

INDICES

NEW YORK DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

Closing Prices June 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A — A — A —								
26	14	AAR s	.36	1.5	26	250	26	23¾	23⅞	+ ⅛
12⅛	8¾	ACMIn	n1.00e	9.4		382	11⅝	11½	11⅝	+ ⅛
12⅛	10¾	ACMSc	e1.26	11.		509	11⅝	11⅛	11⅛	
10⅛	10	ACMSp s				305	10	10	10	
27½	19½	AGS			21	6561	37½	27¼	27½	+ ¼
7⅞	2⅛	AMCA				172	2⅞	2⅝	3⅛	− ½
8⅝	3¼	AM Intl				382	8⅞	3⅞	3⅞	+ ⅛
29⅛	17	AM Int pf	2	10.		66	10⅛	10	10⅛	
60½	28¼	AMR			12	3617	48¼	47	47⅛	− ⅜
11⅛	5¼	ARX			12	72	8⅞	8¼	8⅞	− ⅛
72⅞	48¾	ASA	3	6.7		375	44⅞	44⅛	44¾	+ ¼
22⅞	9½	AVX			12	55	17⅞	17½	17¾	
66⅞	40	AbtLab	1.28	2.7	18	6010	40⅞	44⅝	46	+ ¾
26	15⅝	Abitibi g	1			66	18⅞	18⅛	18¼	− ½
16¼	8½	AcmeC	.40	3.6		34	11⅞	11	11	− ¼
10½	8⅝	AcmeE	.32b	4.7	21	4	8⅞	8⅛	8⅞	
26	14½	AdaEx	3.05e	20.		85	16¼	16⅛	15⅝	− ¼
19⅛	8⅛	AdamMl	.24	1.5	13	12	15½	15½	15½	
24⅞	7½	AMD				2270	16⅛	15⅞	16	
58¼	26⅛	AMD pf	3	7.2		80	42	41¾	41¾	− ⅛
11⅞	4⅝	Adobe			12	276	8⅛	8	8	
13⅛	5⅞	Advest	.12	1.8	9	14	6⅞	6¾	6¾	− ⅛
64¼	39½	AetnLf	2.76	6.2	8	1086	45	44⅝	44¾	− ¼
63½	41	AfilPub	.40b	.7	60	642	58½	58	30	− ¼
22¼	13	Ahmans	.88	5.2	11	1107	17	16¾	16⅞	
4⅝	1¾	Aileen				64	8	2⅞	5	
20⅞	26	AirPrd	1	3.6	14	2011	49¼	48⅝	49⅞	+ ¼
34½	11⅛	AirbFrt	.60	3.2	26	194	19	19⅛	19	
18½	8¼	Airgas			17	246	12⅞	19½	12¼	+ ½
18¾	13½	Airlease	2.30	12.	10	30	19⅛	10⅞	19	
10	7⅝	AlaP	8pf.87	9.4		82	8⅛	8⅛	8¼	

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

AMEX COMPOSITE PRICES

Closing Prices June 13

OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 13

Continued on Page 45

AMERICA

Caution over trade figures sends Dow into slight fall

Wall Street

THE EQUITY market started the week on a subdued note yesterday as traders preferred caution prior to today's US merchandise trade figures for April, and May economic releases on retail sales and induatrial production later this week, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 2.31 points lower at 2,099.40 in the third lowest volume this year. Only 126.4m shares were traded, representing a return to much lower volume after a burst of technically-inspired trading last week.

The drift in the equity market came despite a better performance by US Treasuries which seemed to take beart from a stronger dollar yesterday. The dollar closed at Y125.125 and DM1.7225 compared with Friday's New York closes of Y124.88 and DM1.7211.

Bond prices were quoted as much as ¼ point higher in late trading, with the Treasury's benchmark 30-year issue up ⅛ point to a yield of 9.01 per cent. Earlier, the yield on the long bond dipped below 9 per cent for the first time since April 15.

The behaviour of the dollar is a particularly important indicator of sentiment, particularly jnst before the release of trade figures. Forecasts for April's trade figures is for a deficit of just over $12bn compared with the March shortfall of $11.95bn. Today's trade figures will be seasonally adjusted.

One of the major problems for the equity market is its proximity to its post-crash high of 2,110.08 recorded on April 12. There has been great resistance to pushing the market above that level.

The sudden surge in headline volume figures on the New York Stock Exchange last week encouraged hopes that the dearth of genuine investor interest in the last few months was over. However, a large proportion of activity last week was accounted for by massive trading in issues about to go ex-dividend and by very active stock index arbitrage.

There still seems to be a high degree of caution among individual investors and institutions. The market has made two major advances this year but, in both cases, the market dropped aharply having reached its peak.

Oil issues were under pressure yesterday after ministers of the Organisation of Petroleum Exporting Countries adjourned their formal conference until today to discuss in private the production ceiling for the rest of this year. The sngg estion that production quotas may remain unchanged from current levels given reports of oversupply in the oil market suggested an erosion of oil prices. This was one factor that appeared to help the bond market yesterday.

Atlantic Richfield was $2 down at $84½ and Chevron fell $⅞ to $50⅞.

Essex Chemical added $1⅛ to $31⅞ after the company's board turned down as inadeqnate a $24 a share takeover offer from Gurit-Heberlein of West Germany.

Johnson & Johnson, which said it planned to buy back $500m of its common shares and also filed to offer $500m of debt, added $1⅝ to $79⅛.

Welbilt jnmped $8⅝ in over-the-counter trading to $27⅞ after news that it had received a $27.50 a share takeover offer from a group including Kohlberg & Co and some senior executives.

Among blue chip issues, International Business Machines added $1 to $117, General Electric gained $⅝ to $43⅞ and American Telephone & Telegraph edged $¼ higher to $26⅞.

Canada

TORONTO SHARE prices drifted slightly lower in quiet trading as investors awaited the release of the US trade figures.

The composite index, which had slipped about one point in early trading, lost 3.30 to 3,376.64. Declines ontnumbered advances by 445 to 278 on light turnover of 16.6m shares.

Topping the active list were Nova Corp, up C$⅛ at C$11⅞ on 948,973 shares, and Polysar Energy, up C$⅞ at C$16⅞. Dome Petroleum was in third place.

ASIA

High-tech issues lead climb by Nikkei in slow trading

Tokyo

TRADING volume declined in Tokyo yesterday in advance of today's release of the US April trade figures, hut gains in high-tech issnes led prices higher, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average rose 116.18 from Friday to regain the 28,000 level, closing at 28,036.54. The index started at 27,916.12, the day's low, and hit a high of 28,047.72 early in the afternoon session.

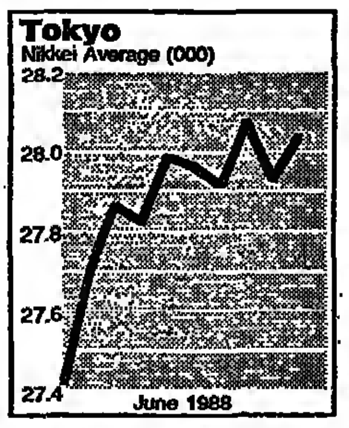
Turnover shrank from Friday's 2.08bn shares to 939m, slipping below the billion mark for the first time since May 23. Gains led losses 524 to 350, with 182 issues unchanged.

Investors were wary of future price moves after the market indicator registered an all-time high last week. Individual investors and business corporations, which had been huying actively, held back yesterday, recalling sharp price falls in Tokyo and New York which followed the US trade figures for March.

Buy orders for large-capitalisation stocks dropped sharply, hut high-tech issues advanced on a broad front. Buying was in small lots, bowever, and leading brokerage houses said high-tech stocks had not yet gained enough popularity to replace hig-capital stocks as market leaders.

Fujitsu advanced Y50 to Y1,590, while Hitachi added Y30 to Y1,440 and NEC put on Y70 to Y2,210. Fuji Photo Film scored a Y110 gain to Y3,870 and Nippon Telegraph and Telepbone climbed Y10,000 to Y2.51m.

Among large-capital issues, Kobe Steel gained Y15 at one stage but profit-taking later trimmed the rise to Y2 to Y474. It came first on the active list, but volume dropped below 100m shares to 99.47m.



Kawasaki Heavy Industries, the second most active atock with 63.13m shares traded, fell Y7 to Y525 after registering an Y11 advance. NKK, known until recently as Nippon Kokan, lost Y6 to Y512, while Kawasaki Steel and Nippon Steel declined Y5 each to Y534 and Y515 respectively.

Defence-related issues were also in demand amid expectations that Japan and Europe will be urged to bolster their defence capabilities at the annual summit of the seven leading industrial democracies opening in Toronto on June 19.

Nissan Motor, which has a rocket division, rose Y40 to reach a record high of Y1,040 on the day's third largest turnover of 49.1m sbares. Nisshin Steel jumped Y52 to Y612.

Speculators chased low-priced shipping stocks. Japan Line, up to now the only stock priced below Y300 on the Tokyo Stock Exchange's first section, gained Y14 to Y312, with turnover rising to 22.71m shares, the 10th largest. Kawasaki Kisen closed Y16 higher at Y418.

In TSE block trading in bonds, the yield on the five per cent government bond dne in December 1997 moved narrowly between 4.605 per cent and 4.62 per cent in lacklustre trading, ending the day at 4.615 per cent, unchanged from Friday. Shortly after the market's close, the benchmark issne was sold in inter-dealer trading, with the yield surging to 4.655 per cent, on reports that Mr Satoshi Sumita, Governor of the Bank of Japan, had expressed strong concern about the bond market outlook.

Share prices opened weak on the Osaka Securities Exchange but turned higher in the afternoon as investors were encouraged by gains in Tokyo. The OSE average closed at 27,826.93, np 1.76 from Friday. Turnover fell sharply by 95m shares to 99m.

Singapore

IN MODERATE trading, stocks closed on a mixed note, after selective buying was undermined by profit-taking.

Prices firmed in early dealings, with sentiment boosted by Wall Street's gains on Friday and by a good opening in Tokyo. However, profit-taking pared gains for most of the afternoon and at the close price changes were marginal. The Straits Times industrial index closed 3.69 down to 1,042.74, after gaining 3.41 in early trading. Turnover fell to 47m shares, down from Friday's 54m.

Activity centred on some shipping stocks and Malaysian speculative issnes. Singapore-based hlne chipa made only modest gains.

Among highlights, Industrial Oxygen rose 3 cents to 81 cents on volume of nearly 2m shares, and Straits Trading gained 12 cents to S$3.54. City Developments fell back, losing 12 cents to S$3.32.

The Hong Kong and Australian markets were closed for public holidays.

George Graham reports on the uncertain mood among dealers

Election stalemate hits Paris bourse

STOCKBROKERS do not usually like to be left in suspense, and the French parliament, after Sunday's election results, is about as suspended as you can get.

Yet the lurch downhill that hit the Paris stock market yesterday morning – the indicator showed s drop of 2.25 per cent by 11 am – was more apparent than real, as a few sales had a disproportionate effect on the index in thin trading. The CAC General index lost 1.06 per cent on the day, dropping to 346.7.

"The foreign investors are not selling, though it has to be admitted that no-one is buying either," said Mr Joe Hall of Warburgs-Bacot Allain in Paris.

Some brokers even turned bullish, discounting the threat that President Mitterrand's Government might be forced to ally with the Communist Party, which holds a crucial 27 seats in the new parliament. They took the view that the results would force the Socialists to follow through their talk of opening up to the centre.

"It is very bullish. Mitterrand may not have got what ha wanted, but he has got what he said he wanted," commented Mr John Fordyce of Ferri International.

Most dealers remained cautious, however, with uncertainties over France's political development reinforced by tbe prospect of today's US trade figures. For many it seemed safest to stay out of the market.

Many senior hrokers were too preoccupied by other problems to spend much time in the market. The FFr500m ($86.2m) trading losses recorded by the stock exchange'a own reserve funds diverted a lot of attention.

Brokers are anxious not just about the damage the incident could do to the exchange's reputation, but also about the prospect that they may be called on to contribute to topping up the fund.

This extra levy – some officials are talking of raising another FFr1bn – would weigh heavily on stockbroking firms which have invested in office space, dealing talent and computer equipment only to see trading volume, and with it their commission income, slide downhill.

Equity volume in the first four months of this year was 39 per cent down on the same period of 1987, although bond volume has increased by around the same percentage.

Many leading equities had turned round and were even showing small gains by the end of trading yesterday. But Compagnie du Midi, which had seen 728,000 shares change hands on Friday, lost 5 per cent to FFr1,534.

The company's future appears murkier than ever after the banking commission decided last week to delay a decision on whether Generali, the Italian insurer, may build up its stake.

A warning of how long the French anthorities can delay when they set their minds to it has been given hy the saga of Télémécanique, whose shares are finally due to resume trading next Monday after four and a half months of suspension.

EUROPE

Madrid pushes higher against trend

MARKING time in advance of today's US trade figures, most European bourses saw restrained trading, with turnovers well below average, *writes Our Markets Staff.*

MADRID was the exception, continuing its strong run with the general index hreaking through the 300 level to close at a new 1988 high of 300.74, a gain of 3.66.

Optimism that inflation and interest rates can be contained is fuelling the rally, which has brought nine new highs in 10 trading days, with a brief pause for profit-taking last Wednesday. Investors are expecting a steady or negative May inflation figure this week.

Trading volumes have heen buoyant, with last Friday's turnover rising to $143m, back to pre-crash levels, amid strong local interest and selective foreign buying.

The banks, which have driven the recent advance, were steady to higher yesterday, with Banesto gaining 15 percentage points to 1,441 per cent of nominal market value, and Central up 5 at 1,240, while Bilbao was unchanged at 1,135.

Market leader Telefonica, which has risen about 10 per cent in the past three weeks after a lacklustre performance for most of the year, gained a further 2.8 to 194.

Chemicals and construction stocks did well, as Aragonesas added 16 to 619, Petroleos put on 37.5 to 550 and Dragados rose 10 to 435.

FRANKFURT had a very quiet day as most investors stepped back to await today's US trade figures for April and their impact on the dollar. Volume was thin and share prices edged higher, with the FAZ index gaining 2.8 to 469.74.

The only excitement was provided by Feldmuehle Nobel, the diversified paper maker, which was suspended from trading after rising DM21.50, or 7 per cent, to DM325 in unofficial early dealings. Two members of the Flick family were expected to make a hid at DM350 a share, but they said later they had abandoned their plan following the sharp rise in the share price.

Chemicals continned their recent advance, with Hoechst adding DM2.20 to DM266.40 and Bayer up 80 pfg at 287.50, although pharmaceutical Schering shed DM2 to DM518.

Bonds moved up about 20 pfg in line with gains in the US Treasury bond market and the yield on the latest 6¼ per cent 1998 federal bond fell to 6.54 per cent from 6.56 per cent on Friday.

ZURICH was lifted by Wall Street's performance on Friday and by improved sentiment for selected bank stocks. The all share index closed 4.4 up at 852.4. Turnover, however, was subdued as dealers waited for today's US trade figures.

UBS bearer shares rose SFr35 to SFr3,150, while Swiss Bank Corp bearers were SFr10 higher at SFr352. A large number of call options in SBC shares on the Soffex market was helping to boost the underlying stock.

Among industrials, Brown Boveri fell SFr10 to SFr2,355 and Ciha-Geigy dropped SFr20 to SFr3,205. Department stores were generally higher - Grands Magaains Jelmoli rose SFr25 to SFr2,500, Globus put on SFr100 to SFr7,550 and Interdiscount jumped by 5 per cent to SFr3,800 in a thin market as Bank Julius Baer added the stock to its buy list.

MILAN traded quietly in slack volume before tomorrow'a end of account and the MIB index was unchanged at 998 at the close. Electrical, chemical and retail stocks posted the best gains, while most blne chips closed slightly weaker.

Generali was easier following the Bank of France's announcement that it was postponing a decision on the company's stake in Compagnie du Midi until mid-July because of political uncertainty. A rumour that Generali's voting rights would be limited to 10 per cent helped the shares down L350 to L84,100.

Montedison was driven L34 higher to L1,605 on rumours that US leader Dow Chemical was still buying the shares. In after-hours trading Montedison had risen further to L1,622. Fiat failed to benefit from Friday's improved car sales figures, losing L14 to L8,765.

AMSTERDAM was hit by Wall Street'a lower opening, closing a moderately active day on an easier note with the CBS all-share index standing at the day'a low of 88.5, down 0.2 from Friday. Turnover was below Friday's Fl 266m.

BRUSSELS was little changed in thin trading, with the cash market index easing 2.63 to 4,887.32.

Optimistic profit forecasts from the steelmakers helped their share prices, with Arbed up BFr110 to BFr2,000 on 10,000 ahares traded and Cockerill Sambré rising BFr17 to BFr245 on 95,000 shares.

Petrofina, which has seen steady demand in recent weeks, eased BFr50 to BFr12,200.

OSLO saw moderate trading as investors cashed in on last week's gains. The all-share index fell 2.58 to 291.46 in turnover of NKr118m.

London

APATHY marked the start of the week's trading, as investors waited somewhat nervously for today's US trade figures. Turnover was very light at only 321m shares as the FT-SE 100 Index, 16 points worse at one stage, rallied to close down 11 at 1,838.8.

International stocks were subdued by a firm pound and uncertain news from the Opec meeting, with BAT Industries, ICI, Glaxo and Unilever all recording small losses.

One feature was the release of Suchard's formal bid document for Rowntree.

SOUTH AFRICA

GOLD shares closed easier in dull trading. They were put under pressure by the falling bullion price and expectations that the US trade deficit for April would be moderate and, therefore, would not boost the gold price.

The gold index lost 37 points to end at 1,283, and the industrial index slipped to 1,593, down by 8 points.

Vaal Reefs lost R7 to R265, Western Deep shed R2.50 to R108 and Harties fell R1.23 to R21.25. Mining financials and most other mining issues eased in sympathy. Anglos fell R1.50 to R50.50 and diamond stock De Beers closed 75 cents down at R35.50. Impala Platinum was 50 cents lower at R28.50. However, interest in all these issues was minimal.

Industrial issues continued little changed.

Take-off by airline issue fails to lift Vienna pall

By Judy Dempsey in Vienna

ATTENTION IN Vienna yesterday was firmly focused on Austrian Airlines, the national carrier, whose share price gained three per cent on the first day of trading following its partial privatisation.

Trading in the shares, which closed at Sch2,160 ($179) compared to the issue price of Sch2,100, was described as "quite nice" by a senior securities market analyst at Austria's Laenderbank, which played a leading role in the offering.

However, the new listing had little noticeable impact on the wider market and is not expected to provide the bourse with the boost it so badly needs.

The general share index rose only slightly from Friday's 205.03 to 205.83.

Small investors played the main role in yesterday's trading in the Austrian Airlines shares.

When the 24.2 per cent stake – amounting to 430,000 shares worth a nominal capital of Sch430m – was first offered to the public between May 24 and June 1, about 18,000 of Austria'a traditionally cautious private investors bought just under 12 per cent, to the surprise of many analysts. Indeed, the sale closed four days ahead of schedule because the shares were nearly three times oversubscribed.

The rest of the shares were divided up between the Austrian banks Creditanstalt, Laenderbank, and Bawag, as well as the Wiener Staedtische insurance group, who together bought eight per cent.

Three per cent of the shares was earmarked for Swissair and the remaining 1.4 per cent was bought by Austrian Airlines itself.

The airline intends to raise its holding to 16 per cent in future share issues to ensure that at least two-thirds of the capital remains in Austrian hands.

The money from this first sale will be paid to the republic. However, the airline plans to increase its capital to Sch2.6bn with twn further offerings by 1993 and that money will be earmarked for investment in the company itself.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 13 1988					FRIDAY JUNE 10 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	144.22	−0.1	117.71	119.04	3.76	144.39	117.82	119.04	145.74	91.16	137.41
Austria (16)	87.59	+0.0	71.49	78.50	2.61	87.59	71.47	78.27	98.18	84.35	86.28
Belgium (63)	123.84	−0.7	101.07	110.70	4.55	124.68	101.73	111.00	139.89	99.14	116.22
Canada (125)	124.62	−0.3	101.71	110.18	3.08	125.02	102.01	110.35	125.49	107.06	126.79
Denmark (39)	132.68	+0.0	108.29	118.33	2.46	132.72	108.29	118.01	132.72	111.42	119.97
Finland (25)	137.79	−0.4	112.46	118.39	1.77	138.32	112.87	118.40	138.34	106.78	–
France (128)	97.82	−1.8	79.84	89.38	3.62	99.62	81.29	90.75	99.62	72.77	109.92
West Germany (99)	78.28	+0.2	63.89	70.20	2.64	78.10	63.72	69.81	80.79	67.78	91.95
Hong Kong (46)	106.37	+0.0	86.81	106.64	4.29	106.35	86.78	106.64	106.37	84.90	123.68
Ireland (18)	138.81	+0.5	113.29	126.10	3.76	138.05	112.64	124.97	138.81	104.60	128.10
Italy (102)	71.03	−0.4	57.98	68.01	2.95	71.32	58.20	68.07	81.74	62.99	99.06
Japan (456)	174.76	+0.2	142.63	138.25	0.52	174.43	142.33	137.72	177.27	133.61	157.33
Malaysia (36)	143.15	−0.7	116.83	141.94	2.57	144.12	117.60	142.82	144.14	107.83	166.64
Mexico (14)	170.75	+1.9	139.36	425.65	1.17	167.64	136.79	417.91	176.90	90.07	242.41
Netherland (38)	107.37	−0.6	87.64	94.90	4.87	107.98	88.11	95.12	110.66	95.23	117.83
New Zealand (21)	82.81	+0.7	67.59	62.32	5.86	82.24	67.11	62.30	82.81	64.42	98.94
Norway (25)	126.28	−0.7	103.07	108.20	2.79	127.20	103.79	108.60	132.23	98.55	138.42
Singapore (26)	119.58	−0.2	97.59	111.20	2.26	119.83	97.78	111.44	119.83	97.99	140.37
South Africa (60)	130.78	−3.1	106.74	85.66	5.13	134.93	110.10	87.07	139.07	118.16	159.74
Spain (42)	164.47	+0.6	134.24	142.04	3.04	163.48	133.40	140.82	164.47	130.73	114.38
Sweden (36)	122.57	−1.0	100.04	109.24	2.60	123.84	101.05	109.81	125.50	96.92	114.67
Switzerland (55)	81.25	+0.4	66.31	72.66	2.35	80.95	66.05	72.12	86.75	75.60	92.51
United Kingdom (327)	138.81	−0.6	113.29	113.29	4.31	139.71	114.00	114.00	141.18	123.09	151.91
USA (578)	110.49	+0.1	90.18	110.49	3.54	110.43	90.10	110.43	110.52	99.19	124.16
Europe (1013)	110.26	−0.5	89.99	95.02	3.75	110.82	90.43	95.33	110.82	97.01	121.25
Pacific Basin (673)	170.85	+0.2	139.45	136.10	0.71	170.56	139.17	135.60	172.26	130.81	155.23
Euro-Pacific (1686)	146.62	+0.0	119.67	119.76	1.63	146.68	119.68	119.57	147.53	120.36	141.67
North America (703)	111.25	+0.0	90.80	110.49	3.51	111.20	90.74	110.44	111.28	99.78	124.30
Europe Ex. UK (686)	92.54	−0.4	75.53	83.61	3.24	92.89	75.80	83.66	92.99	80.27	102.21
Pacific Ex. Japan (217)	123.85	−0.1	101.09	109.05	3.93	123.92	101.12	109.08	123.92	87.51	129.62
World Ex. US (1885)	145.73	−0.1	118.94	119.22	1.71	145.83	118.99	119.06	146.49	120.26	141.40
World Ex. UK (2136)	131.47	+0.0	107.30	116.49	2.08	131.42	107.23	116.28	131.47	111.77	132.97
World Ex. So. Af. (2403)	132.11	+0.0	107.83	116.39	2.27	132.12	107.81	116.25	132.12	113.26	134.49
World Ex. Japan (2007)	111.65	−0.2	91.12	104.90	3.63	111.86	91.27	105.01	111.86	100.00	123.88
The World Index (2463)	132.11	+0.0	107.82	116.18	2.29	132.15	107.82	116.05	132.15	113.37	134.65

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Markets closed June 13 : Australia and Hong Kong.